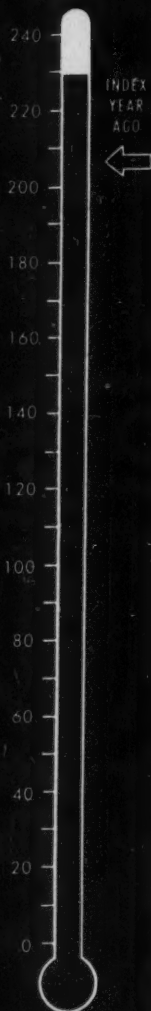


BUSINESS WEEK

HOW TO GET
Defense Contracts

SPECIAL REPORT, PAGE 93

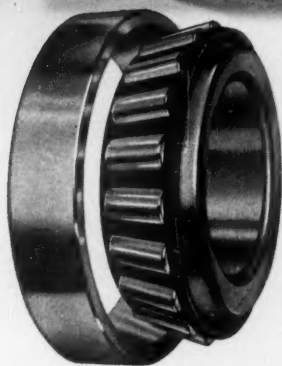


William R. Herod: How do you make 12 war industries work together? (page 157)

A MCGRAW HILL PUBLICATION

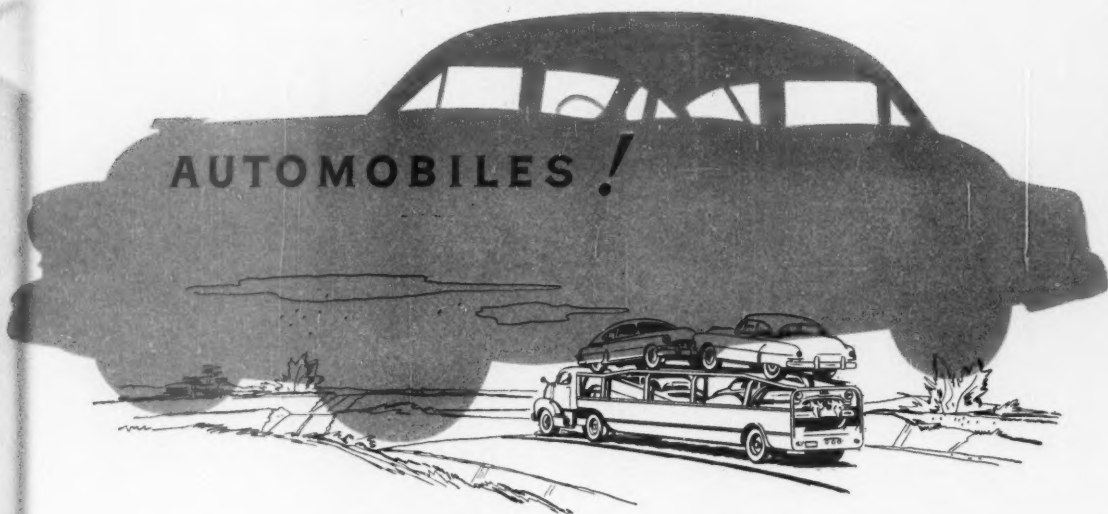
MAY 26, 1951

THE *BETTER* THE
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THE *BETTER* YOUR

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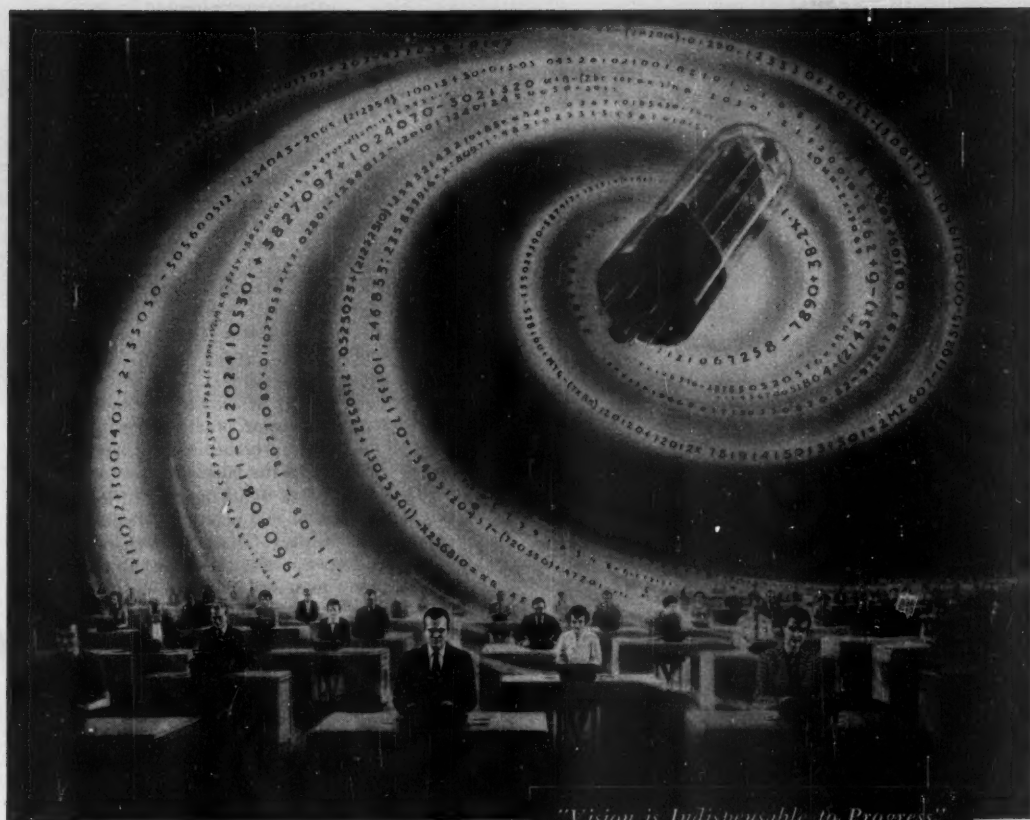
Constant improvement is as much a part of modern motor cars as the wheels. There is no escaping the endless search for superior methods, finer materials, better parts. ☆ This take-nothing-for-granted policy has led leading manufacturers to equip their cars with Bower Spher-O-Honed bearings. When the chips are down, Bower bearings give you smoother performance, greater dependability and longer life. These qualities are built in. Even more important, they are *designed in!* From drawing board to assembly, Bower uses basic advances—in engineering, and in construction—to build better bearings for you. ☆ Whatever you manufacture—from convertibles to combines, from motors to machine tools—the better the bearings the better your product! It's a fact well worth remembering. Better specify Bower!

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The office equipment industry

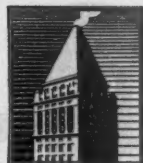
is on the threshold of almost unbelievable advances. An automatic machine may some day read handwriting and type it out correctly! Scores of other new machines are being planned.

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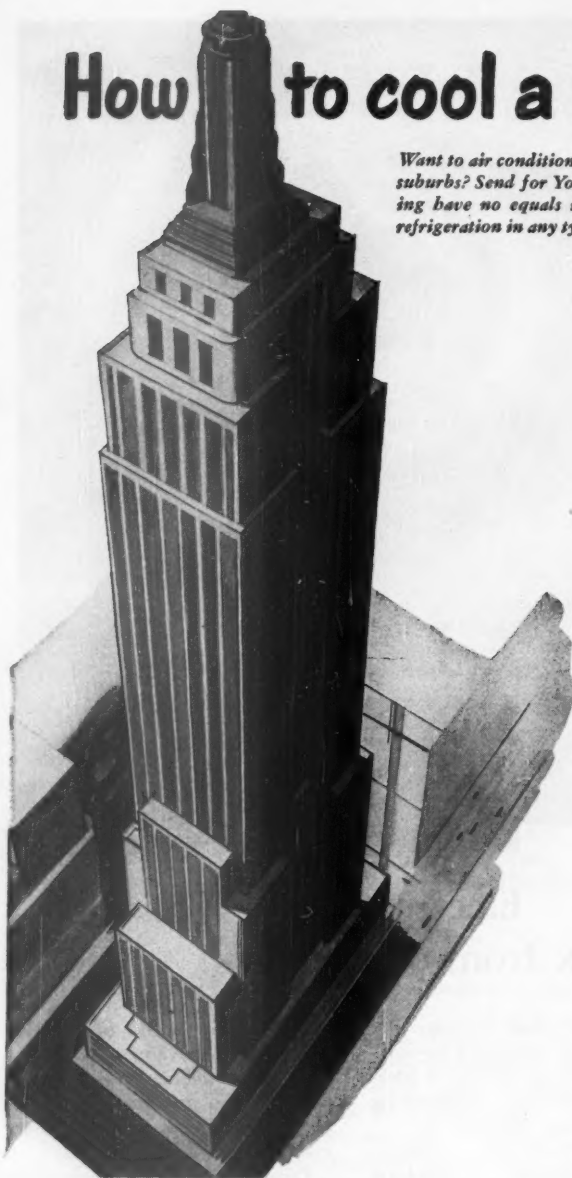
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How to cool a man-made Alp

Want to air condition a skyscraper? Or a little store in the suburbs? Send for York. For York products and engineering have no equals in the fields of air conditioning or refrigeration in any type of installation—small or gigantic.



*Consulting Engineer: Edward E. Ashley
General Contractor: Starrett Brothers & Eken, Inc.
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IN MIDTOWN MANHATTAN, the world's tallest structure rises to the neck-cracking height of 1250 feet. It is the famous Empire State Building, truly a man-made Alp.

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York likes 'em big

These same York engineers are installing the equipment in the first and biggest fully air-conditioned skyscraper apartments in the country, on Rittenhouse Square in Philadelphia. They are the men who put in the machinery for air conditioning in the nation's largest ship, the S. S. America.

York likes these big jobs, sees that the installation is right, and keeps it running right.

This supremacy in air conditioning is equalled only by York's record in mechanical refrigeration. Everyone knows the famous *ice cube with the hole* made by the sensational York Automatic Ice Maker. And other advances that make York and mechanical cooling synonymous.

When you have a problem in air conditioning or mechanical refrigeration, be sure and look to your York Representative *first* for the complete, correct solution. You'll find him listed in your classified directory.

YORK CORPORATION, YORK, PENNA.

The big advances come from



YORK

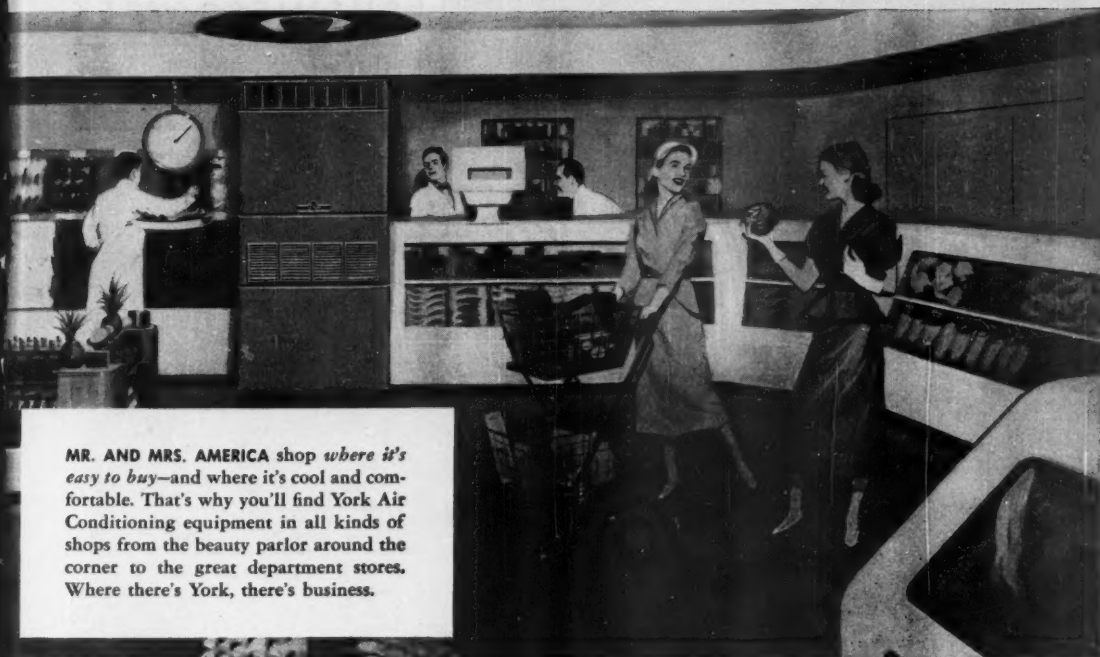
Air Conditioning and Refrigeration

Certified Maintenance Service

York keeps a watchful eye over your installation under an exclusive Maintenance Contract.

Under its terms, York engineers check your equipment regularly, and report to you in writing.

You, in turn, save the time and trouble of making these checks yourself—minor troubles are cor-



MR. AND MRS. AMERICA shop *where it's easy to buy*—and where it's cool and comfortable. That's why you'll find York Air Conditioning equipment in all kinds of shops from the beauty parlor around the corner to the great department stores. Where there's York, there's business.

Cold cash from cool customers

When the sidewalk is shimmering hot and you'd rather be doing anything else but shopping, that's the time to look for a marvelous modern invention.

You'll usually find this machine in stores like the super market pictured above. And when you locate it, you know you've found an enterprising merchant and blessed relief from the heat.

This modern marvel is called a Yorkaire Store Conditioner.

There it stands, neat and good looking. Year after year after year, with a minimum of fuss and attention, it quietly pours out a steady, draft-free flow of cool air.

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Nothing like Yorkaire

You see, there are good and sufficient reasons why Yorkaire Conditioners are in a class by themselves.

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Now, this is only one of the Yorkaire Conditioners you can get.

There are also several types of York Room Air Conditioners, to say nothing of York's remarkable new Residential Air Conditioning Unit designed especially for private homes equipped with forced warm-air furnaces.

Whatever your need in air conditioning or refrigeration equipment, the only word you need to know is York. Call your local York Representative today for proof of York superiority and economy. He's listed in your classified directory.

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BUSINESS WEEK • MAY 26 • NUMBER 1134

(with which are combined The Annalist and the Magazine of Business) • Published weekly by McGraw-Hill Publishing Company, Inc., James H. McGraw (1860-1948), Founder • Publisher, John Wilheim • 95-125 North Broadway, Albany, N. Y. • Editorial, Executive and Advertising Offices, 330 West 42nd St., New York 18. • Curtis W. McGraw, President; Willard Cavalier, Executive Vice-President; Joseph A. Gerardi, Vice-President and Treasurer; John J. Cooke, Secretary; Paul Montgomery, Senior Vice-President, Publications Division; Ralph B. Smith, Editorial Director; Nelson Bond, Vice-President and Director of Advertising.

Subscriptions: Address correspondence regarding subscriptions to J. E. Blackburn, Jr., Vice-President and Director of Circulation, Business Week, 120 N. Broad way, Albany 1, N. Y., or 330 West 42nd St., New York 18. Allow ten days for change of address.

Subscription to Business Week are solicited only from management-men in business and industry. Position and company connection must be indicated on subscription orders.

Single copies 25c. Subscription rates—United States and possessions \$6.00 a year; \$12.00 for three years. Canada \$7.00 a year; \$14.00 for three years. Foreign countries \$10 a year; \$20.00 for three years • All other countries \$20 a year; \$40.00 for three years • Entered as second class matter Dec. 4, 1959, at the Post Office at Albany, N. Y., under Act of Mar. 3, 1879 • Printed in U.S.A. Copyright 1961 by McGraw-Hill Publishing Co., Inc. — All Rights Reserved.

BUSINESS WEEK • May 26, 1961



HELPING TO KEEP AMERICA STRONG

America's destiny rides on her ability to produce. Day and night, the telephone helps our factories get out the goods and the guns. In many other ways it helps to safeguard the country and its people.

Civilian Defense. The telephone is an essential link in national, state and local defense. One of the Bell System's most important current undertakings is the installation of telephone facilities for a Radar Network rimming the country.

Meeting Military Needs. Thousands of miles of private line networks have already been provided for military needs. Long Distance as well as local telephone facilities

are also being built and installed in record time for military bases and training camps all over the country.

Arms and Radar Leader. The Nation's largest producer of gun directors, radar equipment, radio and telephones for military use during the last war was the Western Electric Company, manufacturing and supply unit of the Bell System. Western Electric and Bell Labora-

tories completed over 1200 military projects. They are again working on special defense assignments.

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Planetary inbuilt speed reducer provides straight line drive, quiet operation and long gear life.

In BUSINESS this WEEK...

Having Wonderful Time

● From the borsch belt to the Rockies, resort owners look for the best vacation year ever. P. 44

What Makes a Bureaucrat?

● It takes a lot more than a big office and a name on the door. A profile of Walter C. Skuce, chief mechanic of CMP. P. 50

Tomorrow's Machines

● From design trends in 10 industries, you can pretty well tell what future production lines will look like. P. 64

You Can't Hide a Spittoon

● And in this age, neatness counts. Why chewing tobacco sales are falling, while snuff's aren't. P. 85

Country Livin'

● It's peaceful and a good inflation hedge. But there's a right and a wrong way to buy a farm. P. 101

Every Car a Carry-All

● How Altman's suburban store saves delivery costs by getting shoppers to tote home their own parcels. P. 128

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LEADING ELEVATOR MANUFACTURERS have found that DULUX plus careful application methods pay off in trouble-free performance for years

and years. And the wide range of DULUX colors gives architects and interior decorators plenty of artistic freedom.

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When an elevator is installed in a building, it stays put! That's why the baked enamel that goes on elevator wall panels, ceilings and doors must keep its lustrous gloss despite constant scuffing and handling through many years of uninterrupted service.

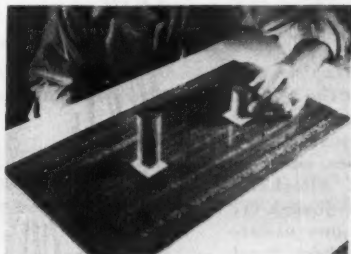
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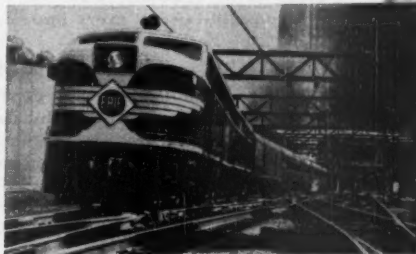
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BUSINESS OUTLOOK

BUSINESS WEEK

MAY 26, 1951



Metal supplies quite possibly will cut output of civilian hard goods much more deeply than expected.

The problem is imports. We have to bring in a major fraction of all copper, lead, and zinc. Today, we can't buy them in any quantity; foreigners are overbidding U. S. price ceilings.

Tariff deals or international pooling seem the only answers on non-ferrous metals. And the former seems the most likely, since the Allied governments can't seem to get anywhere divvying up supplies (page 113).

The bill signed this week, suspending the copper duty, may prove the pattern. It stipulates that, if the price goes below 24¢ a lb., the 2¢ tariff once more will go into effect.

This "if" formula satisfies domestic producers. Already the lead industry has indicated it might be willing to accept a similar deal.

Metal pinches, before the year is out, will create shortages of civilian goods. This will be true even if nonferrous imports pick up.

Meanwhile, there are indications that a pickup is near for some lines that have been suffering from acute overproduction.

TV and textiles, to name two, appear to have turned the corner.

Autos finally have, quite clearly, overtaken postwar demand.

This is particularly true in some of the less popular models. The result is higher dealer stocks across the board.

But production, which is too large now, shortly will be too small.

That's because people have overbought in the last nine months. By next spring, there won't be enough new cars to meet replacement demand.

Inflationary pressure will grow as surpluses turn to deficits. As goods get short, emphasis will shift from broad price control to pinpoint index control.

Many prices will be nudged higher as costs rise.

But it's quite possible that food prices will be an exception for several months.

If food prices can be held, the cost of living can be held, too.

Here seasonal factors play into the stabilizers' hands: (1) Fruits and vegetables tend lower in the summer, and (2) meats in the autumn.

Holding the cost of living is the key to wage demands. And wages are a focal point in inflation. Anything that slows the rise in consumers' spendable income cuts demand for goods, which will be getting scarcer.

Recent success in holding the price line can be discounted (page 19). The consumer buying lull caused inventories to rise, snagging prices.

Yet it is interesting that the Bureau of Labor Statistics' broad index of wholesale prices has been virtually unchanged for three months. And the sensitive average of 28 spot commodities has slid about 7%.

Taxes aren't likely to help much on inflation. The bill approved by the House Ways & Means Committee this week, adding 12½% to all personal levies (page 24), hits high incomes rather than mass purchasing power.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

MAY 26, 1951

Stock markets boomed while commodity markets soared. And recently, as commodities dipped, the starch has been taken out of stock prices. But does this really mean that Wall Street no longer is inflation-minded?

Probably not. Followers of the stock market will tell you that commodities have little to do with stocks' action right now.

Some traders talk of "technical reaction"—a tired stock market that's taking a breather. Others mention a squeeze on corporate profits. Still others blame international jitters.

Most people who were seeking inflation hedges six months ago—fleeing from dollars into tangibles—are still hedging today.

Puncturing the wage ceilings certainly wasn't reassuring (page 30).

That means more wages in individual envelopes. On top of that, we will have to employ 2-million extra workers to meet arms needs. These emergency workers will share in the wage boosts more or less directly.

This all builds up buying power, largely untouched by income taxes.

Lower prices on cattle via rollbacks will whet the demand for beef—a demand that already exceeds supply.

And, conceivably, it can cut supply by discouraging cattle raisers.

Even stemming the rise in beef production (which has been under way since 1948) would be a step in the wrong direction.

Beef cattle get most of their weight from grass. Hogs get almost all theirs from grain. Thus, though cattle and hogs are about equally important in total meat output, cattle are the grain conservers.

This would be especially important in case of a short corn crop.

Ceilings and rollbacks so far haven't meant much to beef supply.

The idea was that cattle would be rushed to market to beat the rollback. Thus more cattle would be slaughtered at light weights.

There were some signs of this just before the deadline. But for the preceding 10 weeks, slaughter was normal.

Chances are that slaughter of cattle under federal inspection will decline from now on. That means diversion to the black market.

But black markets don't affect the cost of living; their dealings are under the counter, hence unrecorded.

This will lead anew to criticism of the Consumers' Price Index.

When is a cutback not a cutback? When it's steel for freight cars.

At least that's about what the 23% cut in steel for car builders after July 1 looks like. For it isn't a cut in actual steel at all; it's just a cut from what might have been.

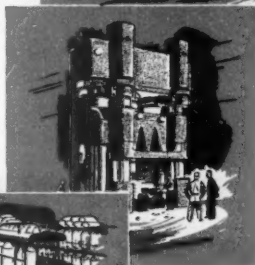
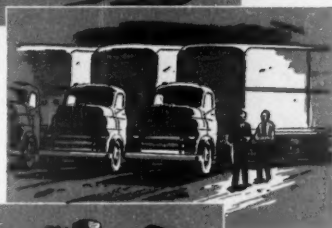
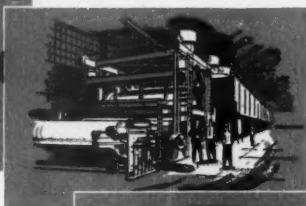
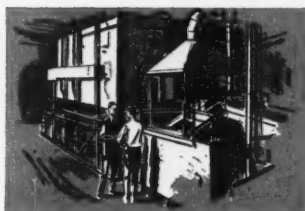
It would permit building of 7,600 a month. That's as good as the car shops are doing. But the goal was 10,000; that's where the cut comes in.

The month-long interruption in the rise of business loans does not mean that the heat is off inflationary lending.

Actually, loans are supposed to be dropping at this time of year. Merchants usually cut their inventories, pay off the banks.

Starting in June, the normal trend is up all the way to Christmas.

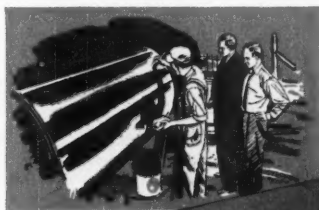
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If these problems haven't affected you yet, they may do so very soon. Now is the time to prepare for them.

You can: *increase your production and maintain or improve your quality . . .* with modern Jones & Lamson turning, threading and inspection equipment.

Now, more than ever, the most efficient machines and methods are needed to make the most of your available manpower and material. Jones & Lamson is ready, willing and able to help you get maximum results from your turning, threading and inspection operations.

Get in touch with Jones & Lamson . . . and see for yourself.

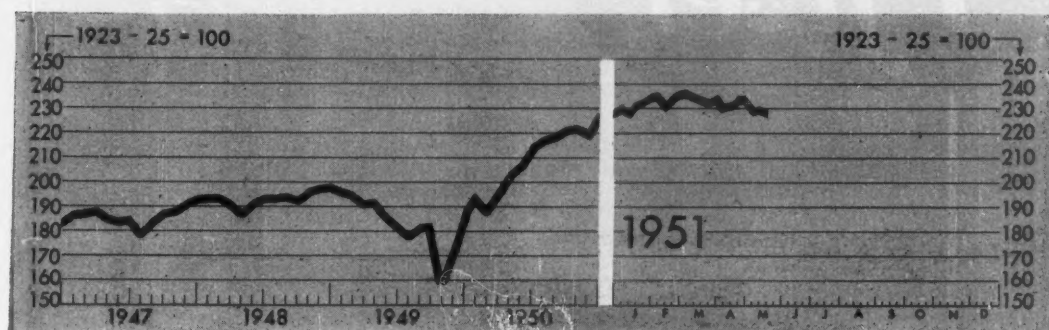
**Jones &
Lamson**



**MACHINE COMPANY
Springfield, Vermont, U.S.A.**

**Turret Lathes - Fay Automatic Lathes - Thread
Grinders - Optical Comparators - Threading Dies
Machine Tool Craftsmen Since 1835**

FIGURES OF THE WEEK



Business Week Index (above) *229.5 †230.3 235.0 207.4 173.1

PRODUCTION

	\$ Latest Week	Preceding Week	Month Ago	Year Ago	1946 Average
Steel ingot production (thousands of tons).....	2,071	2,077	2,065	1,941	1,281
Production of automobiles and trucks.....	160,467	†158,502	166,502	175,314	62,830
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$38,880	\$43,558	\$43,893	\$38,798	\$17,083
Electric power output (millions of kilowatt-hours).....	6,559	6,567	6,730	5,845	4,238
Crude oil and condensate production (daily av., thousands of bbls.).....	6,177	†6,162	6,144	5,117	4,751
Bituminous coal production (daily average, thousands of tons).....	1,603	†1,618	1,662	1,684	1,745

TRADE

Miscellaneous and L.C.I. carloadings (daily av., thousands of cars).....	79	79	79	69	82
All other carloadings (daily av., thousands of cars).....	56	55	51	50	53
Department store sales (change from same week of preceding year).....	+3%	+8%	+13%	+8%	+30%
Business failures (Dun and Bradstreet, number).....	171	181	151	199	217

PRICES

Spot commodities, daily index (Moody's Dec. 31, 1931 = 100).....	497.4	†501.9	517.9	387.9	311.9
Industrial raw materials, daily index (U.S. BLS, Aug., 1939 = 100).....	350.8	†354.2	361.1	230.4	198.8
Domestic farm products, daily index (U.S. BLS, Aug., 1939 = 100).....	392.7	†398.3	407.4	325.5	274.7
Finished steel composite (Iron Age, lb.).....	4.131¢	4.131¢	4.131¢	3.837¢	2.686¢
→ Scrap steel composite (Iron Age, ton).....	\$43.00	\$43.00	\$43.00	\$34.17	\$20.27
Copper (electrolytic, Connecticut Valley, lb.).....	24.500¢	24.500¢	24.500¢	20.500¢	14.045¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$2.37	\$2.40	\$2.44	\$2.30	\$1.97
Cotton, daily price (middling, ten designated markets, lb.).....	45.23¢	45.22¢	45.18¢	33.07¢	30.56¢
Wool tops (Boston, lb.).....	#	#	#	\$2.25	\$1.51

FINANCE

90 stocks, price index (Standard & Poor's).....	170.9	†175.6	174.9	148.2	135.7
Medium grade corporate bond yield (Baa issues, Moody's).....	3.40%	3.39%	3.39%	3.25%	3.05%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate).....	2-2¼%	2-2¼%	2-2¼%	1¾-1¾%	¾-1%

BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks.....	#	49,574	49,870	46,933	††45,210
Total loans and investments, reporting member banks.....	#	69,392	69,756	66,689	††71,147
Commercial and agricultural loans, reporting member banks.....	#	19,164	19,198	13,377	††9,221
U.S. gov't guaranteed obligations held, reporting member banks.....	#	30,339	30,750	36,251	††49,200
Total federal reserve credit outstanding.....	23,913	23,706	24,234	18,001	23,883

MONTHLY FIGURES OF THE WEEK

	Latest Month	Preceding Month	Year Ago	1946 Average
Average weekly earnings in manufacturing.....April.....	\$64.22	\$64.33	\$56.93	\$43.82
Retail sales (seasonally adjusted, in millions).....	\$11,960	\$12,325	\$11,080	\$8,358

→ See page 117.

††Preliminary, week ended May 19.
††Estimate (BW—Jul. 12 '47, p. 16).

#Not available. ‡Date for 'Latest Week' on each series on request.
†Revised.

Pfizer

General Contractors W. J. BARNEY CORP.

Piping Contractors J. H. MERRITT CO.



Where a Name is built on Quality,
look for a plant equipped with
JENKINS VALVES

Manufacturing chemists for 102 years, Chas. Pfizer & Co., Inc., is still pioneering in the field of fermentation chemistry and bio-chemical synthesis. For the first time in history, a stable form of Crystalline Vitamin A is now being produced by synthesis on a commercial scale at Pfizer's new \$2,000,000 plant at Groton, Conn.

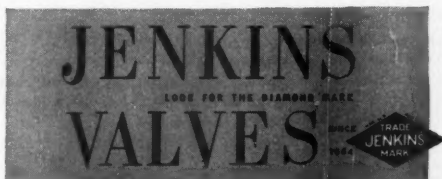
Here Pfizer, proud of its reputation for quality, has installed the most modern, dependable operating equipment. For in the continuous process manufacture of fine chemicals or antibiotics, equipment must perform with unfaltering efficiency. That is why throughout the intricate network of pipelines in this newest Pfizer plant you will find Jenkins Valves.

Jenkins Valves have been the choice, consistently, of leading architects, engineers and contractors for the nation's most progressive buildings—the industrial plants and other structures *advanced* not only in design, but in operating efficiency and economy.

For Jenkins builds *extra* endurance into valves—proved by low upkeep cost records in every type of service. Yet, despite this extra value, *you pay no more* for Jenkins Valves. For new installations, for all replacements, let the Jenkins Diamond be your guide to lasting valve economy. Jenkins Bros., 100 Park Ave., New York 17. Jenkins Bros., Ltd., Montreal.

SOLD THROUGH LEADING INDUSTRIAL DISTRIBUTORS EVERYWHERE

At Pfizer's Groton plant Jenkins Bronze, Iron, Cast Steel and Stainless Steel Valves are installed for all types of service, including water, steam, fire-fighting, refrigerant, and processing lines.



WASHINGTON OUTLOOK

WASHINGTON
BUREAU
MAY 26, 1951



Autos, home appliances, and other consumer durables may be brought under the Controlled Materials Plan—in the fourth quarter.

The reason is a more severe pinch on metals than was anticipated early in the year when the National Production Authority began drafting the limited CMP that starts July 1. Fear of bad production snarls is mounting.

CMP theory up to now has been this: Allocate metal supplies to defense and defense-supporting production; then make up a "free" pool of what's left for nondefense production. To keep the scramble for the "free" metal from getting too mad, limitations would be slapped on the production of various consumer lines.

Now there's a shift in thinking. More and more, NPA is giving up the idea that it can allocate to only a part of industry and leave the rest to scrounge for itself. A 100% CMP probably is no more than six months away. It will be achieved by bringing in one civilian line after another—a step-by-step process.

You can see the trend in recent closed-door discussions between NPA and the major consumer durable goods producers.

What NPA chief Fleischmann told the auto makers adds up to this: CMP in the first quarter of operation (July through September) will provide direct allocation of steel, copper, and aluminum only for military items and defense-supporting lines. Auto makers will have to get along with 65% to 70% as much steel as they had in the first half of 1950. If they find they can't operate with metal from the "free" pool, then NPA will bring them under CMP in the fourth quarter.

Other consumer durable goods makers have been told much the same thing—try the pool; if that doesn't work, NPA will allocate your metal.

Cutbacks in metal for civilian goods will probably get deeper in the fourth quarter as defense and essential lines take a proportionately larger share of what's produced. Here's an example of how NPA is dividing steel in the third quarter:

Consumer durables—65% to 70% of average use in the first half of 1950.

Machinery and industrial equipment—near 100% of the 1950 base.

Machine tools—close to 135%, to boost production.

How long before hard-goods shortages show up in retail stores? A lot depends on how the customers react to the production cutbacks in the third quarter. But most Washington experts figure that shoppers for autos, appliances, etc., will be aware that there's a defense program by September—maybe earlier.

Truman's congressional leaders are clamoring for Acheson's removal. They have gone to Blair House singly and in groups in the last week to state their case: The Democratic Party can no longer carry Acheson.

These are the men who sat in on the meetings: Speaker Rayburn, Senate Majority Leader McFarland, House Floor Leader McCormack, Senate Foreign Relations Committee Chairman Connally, the Senate and House whips Johnson and Priest.

Acheson, himself, has offered his resignation. But Truman is sticking

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
MAY 26, 1951

by his Secretary of State. Truman's position: Acheson is the smart man I have to depend on; these attacks on him are actually attacks on me.

The congressmen have agreed among themselves to keep up the pressure. They see Truman at least once a week—so you can safely bet that it won't be too long before Truman finally gives in.

Connally's situation is a perfect example of Democratic jitters over Acheson. He's up for reelection next year. He's in for a hard race in any event—against Gov. Shivers. But because he's Foreign Relations Chairman, Connally is being tagged as an Acheson foil. And a recent Houston Chronicle poll tabulated sentiment in Texas 99% against Acheson.

Until now, the Democrats haven't openly joined the fire-Acheson drive. But they are angry enough today to take action—since Asst. Secretary of State Dean Rusk put them out on the limb with his pro-Chiang speech, just as the Democrats were feeling better about the MacArthur mess.

Look for a big jump in military appropriations in fiscal 1953. The \$61-billion planned for the year starting this July 1 is much tighter than the military planners wanted. They won't try to pry the lid off this year—short of general war. But they've already got their sights set on the next one.

You hear the figure of \$120-billion for 1953. That's what the three services would like. (Their first total for 1952 was \$104-billion.) And that isn't counting Korea. A \$120-billion program is 150 air wings, a 30-plus division Army, a 1,500-ship Navy, a 400,000-man Marine Corps.

Congressional recess: Democrats and Republicans are agreed on a vacation in August and September. Only snarl is completion of the 1952 money bills.

The new wage trend is simple—up wages as living costs rise and then some. That's the meaning of Eric Johnston's approval of 9¢ for the packing-house workers; and the 4¢ productivity increase to General Motors workers (page 30).

The meat workers raise is 6¢ above the old ceiling. And this week's cost-of-living increase to GM workers, plus the productivity hike, makes the breakthrough a real one.

The breakthrough will have the blessing of Sen. Taft. But business can't expect the Office of Price Stabilization to put an escalator on prices to match wage hikes. DiSalle still holds that there will have to be some cost-absorption—squeezing of profits. Relief is possible only if your business is in the red or if your industry's profits drop below 85% of the postwar average.

The utilities are beginning to see uranium as an economical fuel—at least in areas where other fuel is costly and hard to come by.

That's why you find several power companies agreeing to take on the job of working up the costs of an electric-generating reactor (BW—May 19'51,p21). Until production problems started mounting up in the industry, power men were ho-hum about uranium.

Now they're hopeful the surveys will show that the atom is a blessing to power-hungry areas like Chicago and the West Coast.

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CABLE
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LESTER ENGINEERING COMPANY

2711 CHURCH AVENUE

CLEVELAND 13, OHIO



PLASTIC MOLDING AND DIE CASTING MACHINERY

April 11, 1951

The International Nickel Company, Inc.
67 Wall Street
New York 5, New York

Attention: Development & Research Division

Gentlemen:

I would like to express the gratitude of our company for the assistance of your development staff in helping to solve a problem which once was expensive as well as trying to some of our customers.

The corrosion of the heating cylinder on the Lester plastic molding machines which we build was a tenacious and expensive problem. The heating cylinders were always made from high grade steel, but in contact with certain plastic molding powders which give off acid under high heat and pressure, this steel was attacked. Even a layer of chrome plating was not really effective protection.

Your men worked with us in the application of nickel alloys to this problem. They studied the many related factors of injection cylinder design including heat treatment, surface finish, mechanical strength, heat conduction, and machining costs. We feel that it was in a large measure due to their persistent and serious effort that this problem is now completely under control.

Very truly yours,

LESTER ENGINEERING COMPANY

D. J. Sloane
D. J. Sloane, Vice President

**An example
of INCO
Technical
Assistance**

More than ten years ago, INCO launched a vast underground mining project, to assure continuous high output of nickel. This expansion program, when completed, will permit hoisting 13,000,000 tons of ore annually. This tonnage will surpass that attained by any other non-ferrous base metal underground

mining operation in the world.

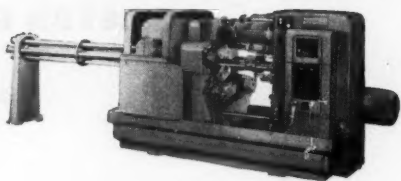
At the present time the total length of underground development in these mines is more than 283 miles. This is considerably greater than the combined underground mileage of the rapid transit systems of New York and London.



THE INTERNATIONAL NICKEL COMPANY, INC. 67 WALL STREET
NEW YORK 5, N. Y.

One answer to the manpower shortage

THE WARNER & SWASEY 5-SPINDLE AUTOMATIC



THIS NEW automatic machine, with its advanced *camless* design, helps answer one of the biggest problems facing industrial management today—the problem of increasing production in the face of today's tight manpower market.

In many cases, one 5-Spindle Automatic is out-producing five or six manually operated

machines—and one man can operate two of these automatics!

And setup is simple and quick—averaging 4 or 5 hours for a completely new setup—making these machines ideal for short and medium lot runs.

Think of the savings in time and cost from this one feature alone . . . NO CAMS TO CHANGE.

**NO CAMS
TO DESIGN**



**NO CAMS
TO MACHINE**



**NO CAMS
TO STORE**



**NO CAMS
TO FIND**



**NO CAMS
TO CHANGE**

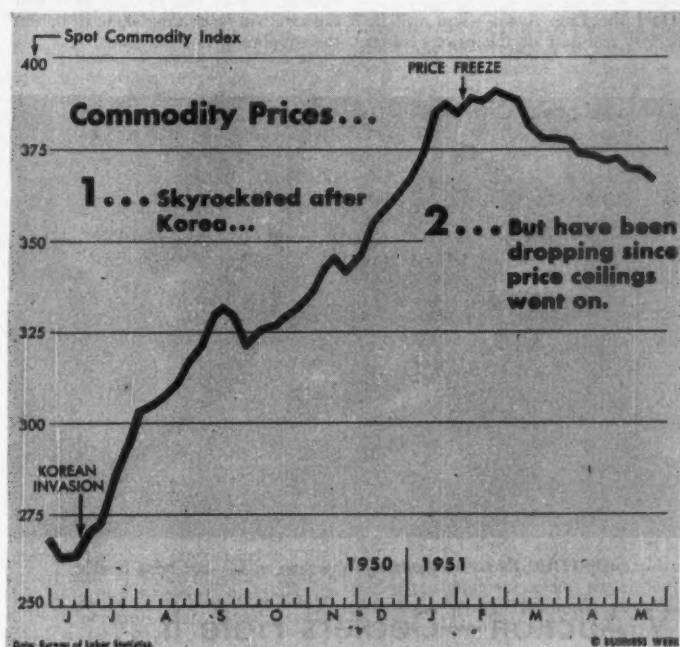


IT'S SIMPLE TO SET UP



**WARNER
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SWASEY**
Cleveland
Machine Tools
Textile
Machinery

YOU CAN MACHINE IT BETTER, FASTER, FOR LESS WITH WARNER & SWASEY TURRET LATHES, AUTOMATICS AND TAPPING MACHINES



DEFLATIONARY PRESSURES—including controls—brought a hull in the upward rush of prices. But with defense spending still rising, the question is . . .

How Long Can It Last?

If tomorrow were Judgment Day, the Administration could prove by all the available statistics that its anti-inflation program has been an unqualified success (chart).

Prices, which went skywinding immediately after Korea, have leveled off in the past three months; some have gone down. The breakneck expansion of credit has stopped. The buying panic has worn itself out. As of the end of May, the U. S. economy seems to be riding on an even keel.

• **Two Questions**—But the chances are that tomorrow won't be Judgment Day. And so economists both in and out of government have to ask themselves two hard questions:

• Just how much is the government's anti-inflation program responsible for the apparent stability of the U. S. economy this spring?

• How long can we expect this happy state of affairs to last?

There are no pat answers to either question. But the longer the experts grub away at the problem, the uneasier they get about the future.

The anti-inflation program, most of them would say, has had some real effects.

But for the past few months, it has played into luck.

And that luck is going to run out sometime in the second half of 1951.

• **Deflationary Factors**—Briefly, here is the way most economists size up the picture.

• Two major industries—automobiles and construction—were probably due for some sort of dip in 1951 regardless of government restrictions. Both have been running full throttle ever since they licked the materials shortages of the early postwar period. Neither got a real shaking out in the mild slump of 1949-50. By the middle of 1950, their backlogs of accumulated demand were

just about used up. The Korean war brought in a lot of scare buying, but it didn't alter the basic market.

• The frantic buying in other lines couldn't last indefinitely. There is a limit on how many refrigerators and television sets the ordinary consumer needs or wants. And even when incomes are going up, there is a limit on how far he can stretch his paycheck.

• The first half of any year traditionally is a time when things slow down a bit. Retailers draw breath after the Christmas buying rush and take inventory. The tax collector makes his big killing in March, and for a time the government takes far more out of the country's income stream than it puts back in.

Any year when there's anything wobbly in the economy, it's likely to show up sometime in February or March. Even in 1947 and 1948—at the peak of the postwar boom—commodity prices broke violently at about this time of the year and then braced up later.

• **Brakes Take Hold**—It was precisely in the middle of this period of seasonal weakness that the government's anti-inflation program began to take hold. The Federal Reserve Board's Regulation W had already started holding down consumer credit by requiring higher down payments and shorter terms. Regulation X started doing the same thing to housing as soon as contractors used up the backlog of commitments they had secured before the deadline.

Result: The consumer spending spree petered out. Retailers suddenly found themselves stuck with inventories that wouldn't move fast enough to suit them.

Meanwhile, businessmen were feeling the effects of FRB's tighter credit policies. As interest rates stiffened, banks began to get tougher about loans, especially loans to carry inflated inventories. And a system of voluntary restraints on business loans put additional brakes on the expansion of credit.

• **Slow Start**—At the same time, businessmen were discovering that a big military program doesn't get under way overnight. The anticipated rush of defense business was slow getting started, slower still to build up to real volume for manufacturers. Materials were tight, but nowhere near as tight as most manufacturers had expected. Some companies even found themselves nursing inventories that were much too heavy on some items.

• **Too Much Too Soon**—Consumers likewise discovered that shortages

were'n appearing so fast as expected. Remembering World War II, they had stampeded to get metal goods, tires, TV sets, and even foods like sugar and coffee. But in the spring of 1951, retail shelves and showrooms were still loaded. And the monthly payments on all the things that had been bought back in December were playing hob with family budgets.

In stock market jargon, it was a plain case of discounting something prematurely. Both businessmen and consumers had sized up the situation and concluded that goods were going to be scarce. But they hadn't allowed for the time lag.

• **Breather**—Add it all up, and you have a situation in which just about everybody was ready to take a breather. In fact, if it hadn't been for government spending and the general momentum of the economy, there almost surely would have been a nasty spill sometime in the first half of 1951.

The only controls that played a part in setting up this state of affairs were the indirect controls—the restrictions on credit and the hike in taxes. The price ceilings that Price Stabilizer Mike DiSalle slapped on also had an indirect effect—they gave the consumer some psychological comfort and thereby helped to stop the panic buying. But they haven't yet functioned as real direct controls—for the simple reason that they haven't yet been tested. At the time they went into effect, the natural trend of prices was level, if not a little bit downward.

• **From Now On**—In the second half of the year the story is likely to be different.

• The government's military spending is just beginning to hit its stride. Total military outlays in the fiscal year ending next June 30 add up to about \$19.4-billion. In fiscal 1952 they will check out to about \$40-billion.

• Meanwhile, business is trying to spend something like \$24-billion on new plant and equipment this year. Even if government controllers hold it down by limitations on construction, capital spending will still be running at boom levels.

This combination of a rising arms program and a rising capital program is inevitably going to squeeze civilian production. By the end of the year, consumer hard goods output will be down to 65% or 70% of 1950 output levels—if that.

Meanwhile, consumer incomes are marching steadily upward. Total personal income hit \$242.5-billion in March. That's a full \$23-billion more than March, 1950. As the new Wage Stabilization Board gets down to work and lifts the temporary wage freeze (page 30), incomes will rise still faster.

And as buyers pay off the debts they rolled up in the post-Korea spending spree, Regulation W will cease to cramp their style much.

All this means that the inflationary pressures are going to be building up fast in the second half of 1950. There will be less goods to buy, more income to buy with.

• **Hold the Line Again**—This will be the first real test of the price ceilings

that OPS has set up. If DiSalle makes a fight of it, he probably can hold the line for a while, just as OPA held the line in World War II. But he will be on the defensive all the time—just as OPA was. The best he can hope is to slow down the upward rush of prices, stall off increases as long as possible—figuring that by late 1952 or 1953 new capacity will be coming along to bolster the supplies of civilian goods.



BIDS POUR IN fast as big-name TV sets go on sale—and bring trouble.

TV Auction — Dealers Hate It

To spur dwindling sales of TV sets, one New York retailer staged a mammoth public auction in New York. Result: In four days some 6,940 new big-name sets had been grabbed up by customers and dealers; the dealer, Monarch Saphin, got enormous publicity.

The auction was to liquidate excess inventory. When defense production and the war scare threatened shortages, dealers hiked their inventories way above normal. Then sales dropped almost to the vanishing point. Dealers blamed credit restrictions, but dealer Albert V. Saphin decided there was nothing wrong with the market that lower prices wouldn't fix, sprung the auction.

Says Saphin: "In four days our entire surplus was sold out. . . . Practically every newspaper carried the story, news commentators told it, it was televised over two networks. Folks who never heard of us before have been coming in and buying appliances of all kinds."

Other TV dealers, fearing a nationwide chain reaction, screamed in protest. They insisted that it would depress the TV market even further.

The dealers' cries resulted in some action. Hearings are being conducted by

the New York City License Commissioner. Some dealers charge that prices quoted as "dealer cost" were not correct. Saphin claims that the prices came from distributor lists supplied to dealers.



LOOKS LIKE a good buy—or is it?

"No Evidence"

Kefauver committee apologizes to A. M. Byers & Co. for mistakenly suggesting that it was controlled by gangster.

"The extent to which gangsters and racketeers continue to pursue their vicious careers and invest spoils of their illegitimate activity in legitimate enterprises is fraught with danger to our country."

That's the warning the Kefauver committee has for American industry (BW—May 12 '51, p. 22)—and it has names and incidents to back the warning up.

• **Off the Hook**—But supposing the Kefauver committee, through some horrible error, included your company in the shady list? How would you get yourself off the hook?

This week came the first answer: The committee will try to do it for you with a quick, complete apology. Here's the story:

In its original report, the committee made this statement: "Longie Zwillman is a heavy investor in the steel industry. He is one of the largest stockholders in A. M. Byers & Co. of Pittsburgh and furnished the chief support behind the management in a recent proxy fight." The committee also left the implication, by loose phrasing, that Zwillman controlled Byers & Co.

The Byers management—the company is the largest U. S. producer of wrought iron — protested bitterly, pointed out that Zwillman owned only 1,000 shares of its 315,974 eligible shares of voting stock. That's one third of 1%, scarcely a controlling interest.

• **No Control**—This week the committee admitted there had been an error. It said, in part:

"After a careful study of our files we can definitely state that no evidence was submitted to our committee indicating that Longie Zwillman furnished the 'chief' support of the management of the Byers company in the recent proxy fight, though he did vote his shares in favor of the management. Nor that he controls or influences the Byers company in any fashion. . . ."

"The committee regrets any harm caused to the Byers company by the implication to the contrary in its report."

• **1946 Purchase**—Behind the committee's error and apology lies a curious story, not all aspects of which are clear.

In October, 1946, Zwillman bought 1,000 shares of Byers stock on the open market. Why the big-time Prohibition operator picked Byers, nobody knows. Byers' dividend record isn't that spec-

tacular; moreover, Zwillman held the stock too long to be speculating. At the time of the purchase, Byers didn't even know who Zwillman was.

So Zwillman remained just another stockholder—noted only because he was one of the few whose name began with Z—until early in 1950, when a minority group tried to oust the Byers management in a proxy fight. Early in the fight, well before the management began soliciting proxies, Zwillman sent them his. And, surprisingly, he asked for a personal letter acknowledging his action.

Management lifted an eyebrow only slightly at this unusual request. Then in April, it noticed an article in the New York Daily Mirror that mentioned Zwillman in connection with the gangland invasion of industry.

• **Memo**—According to the Kefauver committee, Buckley Byers, a company official, wrote a memo on the proxy affair, mentioning Zwillman. A little later, Byers met Kefauver. The two discussed gangsters in industry; Byers mentioned casually that even his own company had been remotely touched by the shadow. Kefauver promptly subpoenaed Byers' memo.

When Zwillman was called before the committee, he was questioned on many subjects. But at no time was his ownership of Byers stock mentioned. Byers & Co. heaved a sigh of relief. The sigh turned abruptly to a gulp when the Kefauver report was made public with the error—which apparently stemmed from an erroneous reading of the memo—in it.

Ore Belt Conveyor For Michigan Studied

Mass transportation of iron ore by belt conveyor may yet be in the cards. Ohio's belt project (BW—Jan. 27 '51, p. 28) is currently stalled, with state political sand in its gears. But the Defense Dept. is considering it and a similar project to move ore across the Upper Michigan peninsula.

No location has been announced for the Michigan project, but it would obviously serve as an alternate route to the bomb-vulnerable Soo locks and the St. Mary's River.

• **Same Sponsor**—The Michigan proposal was first advanced by H. B. Stewart, Jr., president of Riverlake Belt Conveyor Lines, Inc., which is also behind the snagged Ohio plan. Stewart has offered the use of Riverlake engineers and plans to the government on a nonprofit basis.

Both the Michigan and the Ohio conveyors are now being studied by Defense Transportation Administrator James K. Knudson. Any decision will be governed by strategic considerations.

Kaiser Buys Chase

With new backing, the firm that started with gliders may really compete with the rest of the air industry.

It makes aircraft builders jittery when a war emergency brings big auto companies in to carry some of the load; a few of the newcomers may like the business, and stay.

That's why, when Henry and Edgar Kaiser stepped officially into airplane production last week, the news came as something of a shock to the industry. For \$2.5-million, the Kaisers bought 49%, a controlling interest, in Chase Aircraft Co. of Trenton, N. J. Though a small company now, Chase has shown technical ingenuity; backed by Kaiser money it could become a real competitive threat.

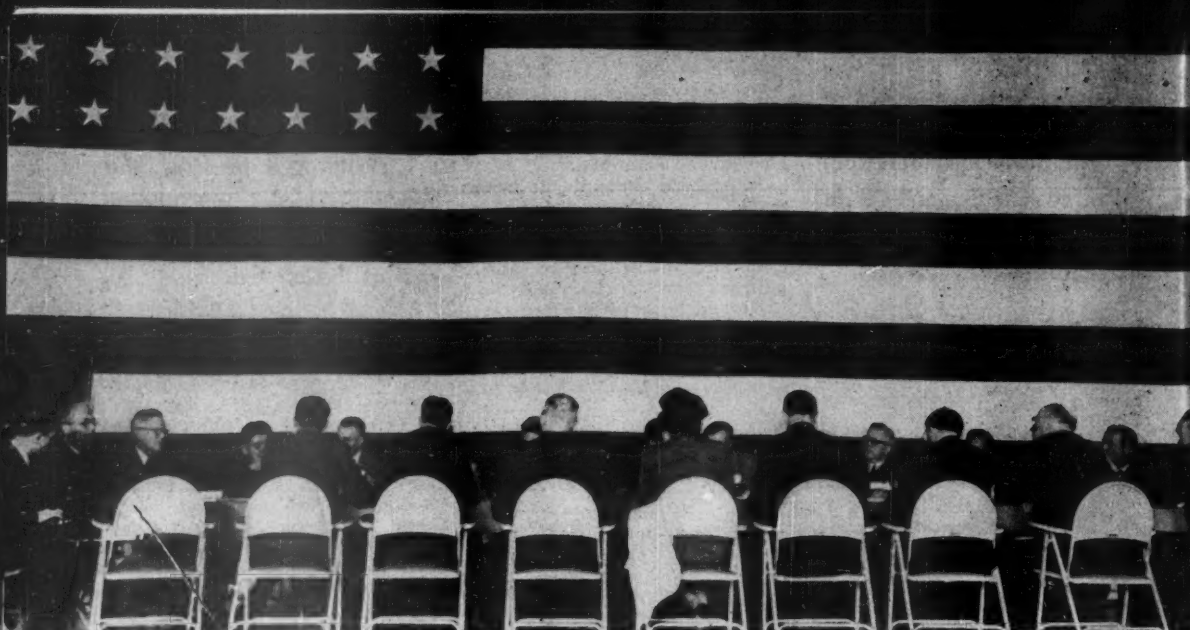
• **Gliding Start**—Chase got going late in World War II when it developed a multipurpose glider that the Army and Air Corps considered a good design. Then shortly after the war, at Army request, it beefed up the glider, hung a pair of engines on the wings, and was in the airplane business for fair. The Army dubbed the plane the XC-12, promoting it to a full-fledged assault transport.

In a competition at Eglin Air Force Base in Florida last year, Chase's XC-12 nosed out entries of two major aircraft companies. It won the admiration of the military—and some animosity on the part of the rest of the air transport industry.

Until now, the Air Force hasn't been sure that the small Chase company could meet the problems of expanding its lines to mass-produce air transports. But with Kaiser production experience behind the company, a lot of that doubt has been removed. Chase is expected to clear away production obstacles and get its production lines rolling in the near future.

• **Commercial Ventures**—It's not Chase's production of military aircraft that concerns the rest of the industry; it's the company's threat as a competitor in the hard-going commercial field. That threat was clear last week when Edgar Kaiser, Chase's new president, announced that his company was going to explore commercial application of its military designs immediately.

Michael Stroukoff, former president and now chief engineer in charge of research, is reported already to have completed a mock-up of a new twin-engine local service transport that he and Kaiser believe revolutionary in economy and versatility.



ROUND-TABLE DISCUSSIONS among scholars and businessmen were closed to press and public at Corning Conference.

Highbrows—Bait for Top Business Brass

A few months ago, Corning Glass Works decided that it wanted to make the most, publicity-wise, of its newest project. It was building in Corning, N. Y., a new Glass Center, designed as a modern museum of glass. This is frankly a tourist attraction, which houses a library of the history of glass-making, a collection of glass dating back 4,000 years, and a factory where visitors can watch the entire process of hand glass-blowing.

• **New Trend**—The problem was this: How do you get the public play that such a project deserves? Corning found the answer in a new and growing trend—arranging a conference among top scholars and top businessmen. Lately such meetings, kept on the proper high intellectual level, have worked well in attracting some of the nation's top business brass.

So Corning Glass got together with the American Council of Learned Societies as cosponsor of a three-day conference, under the general title: "Living in Industrial Civilization." Out went invitations to most of the really top business brass in the U. S.

• **Oil and Water**—It worked—in the sense that almost everyone invited showed up for the conference last week. But, as might be expected, it didn't work so well as far as actual results were concerned. Most of the businessmen went home on Saturday wondering just what the conference had been all about.

The reason isn't too hard to find.

Businessmen are in the habit of meeting to make final decisions of one kind or another. They are realistic, tend to cut through the irrelevant verbiage and hash out a definite answer.

Academicians, on the other hand, love to sit around and discuss vague—though possibly more fundamental—ideas. They talk—as they did at Corning—in high-flown terms like "anxiety-proof personalities" and "moral maturity." If they mean anything to the scholars, they don't to the businessmen.

• **No Total Loss**—This doesn't mean that the conference was a total loss. Some of the businessmen talked with considerable insight on the problems of giving the worker a sense of security, defining his job, and so on. But whether it will add up to anything, no one yet knows. The findings of the meetings, if any, are still to be collated and published.

For the businessman, it is important to know that conferences with highbrows are getting more and more popular. In fact, you're likely to be getting invitations to one or more at almost any time. The University of Chicago law school sponsored one in Greenbrier, Va., last month, for example, to discuss anti-inflation measures with businessmen. Columbia University is running another this week in Arden, N. Y., to talk about international affairs.

• **Conference Etiquette**—If you do find yourself in on such a conference, there are certain things you should know. The

first is that you will undoubtedly feel that it is a waste of time from the standpoint of real accomplishment. But you will probably also find this world of vague, academic questions an interesting one—and entirely different from any board of directors' meeting.

It will be a fairly pleasant time, with cocktails, dinners, a chance to get together with old friends—and tea with the professors, just like in college (see pictures). It will also present a golden opportunity to brush up on your conduct of public relations.

• **Bad Press**—That's one point where the Corning conference fell down. And as a result, a lot of Corning's work was love's labor lost. Because some of the business leaders insisted, the round-table sessions were closed to press and public.

Scores of journalists had made the trip to cover the story. They thoroughly enjoyed the food and drink, but they howled in pain over being denied any copy. And that was what it amounted to, because it was at the round tables that real discussion developed.

The result was that neither Corning, nor the conference, nor the businessmen benefited. The Corning Glass Center and the conference got little publicity in the daily press, and the businessmen got in bad with the newspapermen. To the journalists, this was just one more example of the fact that management as a whole still has a lot to learn about public relations, in the best sense of the term.



HOST Amory Houghton, board chairman of Corning Glass, welcomes guests.



SCHOLARS Dean William C. DeVane of Yale relaxes with guest (left) as Dean Donald David of Harvard opens a meeting.



BUSINESSMEN Philip D. Reed of General Electric argues a point at a round table, Gwylm Price of Westinghouse makes a speech, and Keith McHugh, of New York Telephone Co., listens.



A CUP OF TEA puts President Don G. Mitchell (right) of Sylvania Electric Products, Inc., in the proper scholastic mood.



TELEVISION gets a defense by David Sarnoff (center), board chairman of RCA, during an interval in the discussions.

The Face of Taxes to Come

Next year's levies will probably stick pretty close to the bill drafted by the House Ways & Means Committee. That should provide \$6.5-billion in added federal revenue.

You can already see what the new taxes you will be paying next year will be like. They will closely resemble those voted by the House Ways & Means Committee this month.

Of course, the committee's decisions are only tentative. The full House and the Senate have not yet even seen an assembled bill. A final vote won't come until fall, after Congress returns from a summer recess.

• **Party Accord**—But a check on Capitol Hill shows that neither Democrats nor Republicans have any serious objection to the \$6.5-billion revenue goal set by the committee or to the general way in which the money would be raised.

Both parties want to keep taxes out of politics for the rest of this year and next. Indeed, the leaderships had worked out an informal deal to "sterilize" taxes until after November, 1952. This week the Democratic majority in Ways & Means rocked the boat by shoving through a couple of their pet proposals. But the chances are that the row will blow over.

• **Lower Target**—For awhile, it looked as if \$16-billion-plus in new taxes would be needed to avoid a deficit; at least that was the Treasury's forecast. But lagging defense spending and higher-than-expected revenue have cut official estimates to \$10-billion or so. Congress' own experts now put the need at less than \$7-billion.

• **Below Requests**—All in all, this last figure has been an easy one to work with, politically at any rate. For one thing, it permits the committee, and eventually both Houses, to strike for a balanced budget. For another, it allows Congress to set the new corporate, individual, and excise levies well below the rates asked by the President.

Here roughly is what the committee is asking and Congress seems quite likely to do:

Individual incomes: The committee first voted a three-percentage-point increase in every bracket. Then the Democrats switched and rammed through a straight hike of 12½% in the amount that each taxpayer pays. Either scheme would boost revenues by about \$3-billion. But the 12½% surtax method would throw more of the burden on the middle and upper income brackets. As partial relief, unmarried family heads probably will be given some of the income-splitting benefits now accorded married men.

The new rates would become effective Oct. 1.

Corporate income: The committee decided to boost the regular corporate tax by five percentage points, to bring in about \$2-billion. The rate on the first \$25,000 of a company's income would go to 30%; on everything over this amount to 52%; on excess profits to 82%.

The Democrats then put through two additional changes that will nick another \$730-million a year out of corporate incomes. They boosted the ceiling on total corporate taxes to 70%; it is now 62%. And they cut the excess profits tax credit for a large number of corporations. Companies using the average-earnings method of computing their EPT exemption will be able to use only 75% of base-period income instead of the present 85%.

The committee wants to make all changes effective as of Jan. 1, 1951. But Congress is likely to make the effective date at least six months later.

Excises: The committee scotched all possibility of a general sales tax. All told, the bill now in the works would

raise approximately \$1.1-billion by selective hikes on:

• **Liquor:** Levy on distilled spirits up from \$9 to \$10.50 a proof gallon, on beer up from \$8 to \$9 a barrel, wines all up a few cents. Total take: \$250-million.

• **Tobacco:** Tax per pack would go from 7¢ to 8¢—for revenue of about \$180-million.

• **Automobiles:** The manufacturer's excise would be raised from 7% to 10%—which would bring in close to \$200-million.

• **Gasoline:** The present 1½¢-a-gal. levy would be raised to 2¢ for an extra take of \$210-million.

• **Radio and TV:** The 10% manufacturer's excise would be hiked five percentage points and would yield around \$5-million.

Capital gains: Homeowners would not be liable for any gains on the sale of a residence if they buy another house within 12 months. For the rest, existing capital gains provisions remain unchanged.

Dividend withholding: Hereafter corporations will pay directly to the Treasury 20% of dividends declared. Stockholders will get credit for the amount paid in. Cooperatives would have to withhold a like amount of the dividends, royalties, and interest due members.

Depletion allowances: Existing allowances were left unchanged except for the deduction permitted coal producers, which was raised from 5% to 10%.



Solid Gold Tea Service Sells British Tableware

To commemorate the 650th anniversary of the English Hall Mark, Adie Bros., British jeweler, produced this tea and coffee service, which contains more than \$25,000 worth of 18 carat gold. Adie's merchandising representative in the U. S., Rita Rotheim (left), took the set, guarded by a London bobby,

on a promotional tour across the country. In stops at 80 jewelers in major U. S. cities, the tour sold more than \$500,000 worth of Adie products—in addition to the tea service itself, which brought \$100,000 as an anonymous gift to Narriman Sadek, bride of Egypt's King Farouk.



PRICE CUTTER OF DISTINCTION: John Schwegmann cut prices on Calvert and Seagram, ended up by getting a Supreme Court decision that deals a grievous . . .

Body Blow to Fair Trade Law

Supreme Court rules that price maintenance contracts between makers and sellers don't bind nonsigners. Move starts to get Congress to shore up the Miller-Tydings act.

Just 16 years ago the Schecters' chicken broke the National Industrial Recovery Act. This week the Schwegmann's bottle of Calvert wrecked another depression-born economic device, the fair trade laws.

By a six-to-three decision the Supreme Court declared on Monday that resale price maintenance contracts are binding only on retailers who consent to sign them. This cuts the heart out of fair trade.

• **Keystone**—The whole fair trade system as the U.S. has known it for 20 years has depended on the so-called nonsigner clauses in the 45 state fair trade laws. Under these clauses, if one retailer signed a fair trade contract with a manufacturer, all retailers had to observe the manufacturer's price schedule.

Schwegmann Bros., New Orleans supermarket operator, contested this point. It was a nonsigner. When prosecuted by Seagram and Calvert for undercutting whiskey prices, Schwegmann said fair trade didn't apply in its case.

• **Antitrust Exemption**—The nub of the case was whether the Miller-Tydings amendment to the Sherman Act in 1937 extended to the nonsigner clauses in the state acts. Miller-Tydings exempts the state fair trade acts from the operation of the antitrust laws. But Miller-Tydings

said nothing specifically about nonsigners.

Said Justice William O. Douglas, who wrote the majority opinion:

"The act sanctions only 'contracts' or 'agreements.' If a distributor and one or more retailers want to agree, combine, or conspire to fix a minimum price, they can do so if the state law permits. Their contract, combination, or conspiracy—hitherto illegal—is made lawful. They can fix minimum prices pursuant to their contract or agreement with impunity. When they seek, however, to impose price fixing on persons who have not contracted or agreed to the scheme, the situation is vastly different. That is not price fixing by contract or agreement; that is price fixing by compulsion. . . ."

"Had Congress desired to eliminate the consensual element from the arrangement and to permit blanketing a state with resale price fixing if only one retailer wanted it, we feel that different measures would have been adopted—either a nonsigner provision would have been included or resale price fixing would have been authorized."

• **Picking up the Pieces**—Fair traders are going to try to get Congress to do just that: rewrite Miller-Tydings so that it specifically brings in nonsigners.

Whether or not they will be successful in this effort is, however, questionable.

This is a far different economic climate from 1937, when Congress passed Miller-Tydings. Then we were still feeling the effects of the Great Depression. The price-cutter was still a "chiseler." One of the main objectives of the early New Deal was to raise and stabilize prices. But today we are trying to do just the opposite. And there is little doubt that the end of fair trade will lower at least some prices in the dozen or so fields invaded by fair trade—chiefly drugs, cosmetics, jewelry, silverware, hardware, sporting goods, books, auto accessories, tobacco products, liquor (in some states), appliances, some packaged foods.

• **Price Cutting?**—How great an impact will the court's decision have on the U. S. economy? Within less than 24 hours some price cutting had already started on cigars in New York City. Druggists admit "we have our fingers crossed." Everyone is certain that big changes are in the works.

Here are some of the major questions troubling manufacturers and retailers:

• How far does the decision extend? It applies to interstate commerce, but not to intrastate commerce. (The nonsigner clauses remain in the state laws.) This may dictate caution on the part of some dealers.

• Can manufacturers drop price-cutting merchants off their lists with impunity? This is a moot point. On one hand, a seller has the right—established by law—to refuse to sell his goods to anybody without giving a reason. On the other hand, this involves prices, so there is always the danger that charges of conspiracy or of price fixing may arise. As one observer put it this week: "If you're going to cut someone off your list for price cutting, better not put it in a letter." There's another point to consider: In any such case, the courts would probably take into consideration the manufacturer's past selling policies.

• What will happen to trade relations? In many cases, to protect their price structures, manufacturers will undoubtedly have to go over to franchise, agency, or consignment systems. But this is not possible in the bulk of cases. It would be next to impossible to sell the big-selling national brands of drugs on an exclusive basis.

The times may protect fair traders from feeling the full effect of the blow. Inventories are swollen, and price cutters could have a field day for awhile, particularly in appliances. But there are shortages around the corner (page 19). Within half a year or so most merchants are likely to be more interested in getting goods than in cutting prices. If manufacturers coax them to sign fair trade contracts their resistance will be low.

Another Year of Price Controls

**That's the prospect, despite much violent opposition.
But some changes are due; Truman won't get all he's asking.**

The way congressmen are fuming and fussing, you might think there was a real chance for an end to price controls by June 30.

President Truman's request for extension and beefing up of the present law is getting a terrific kicking around from both Republicans and Democrats. Controls officials themselves are figuring they'll be ahead of the game if their powers aren't seriously weakened.

• **What Kind**—There's no doubt you will be living with price controls for another year, at least. But it's almost a certainty that Mike DiSalle's present power over price-setting won't be extended without some changes. It's the question "What kind of change?" that's at the bottom of all the wrangling.

There are ideas all over the lot, but here's the what you can pin down most firmly:

- The Administration's authority over agricultural prices may be whittled back more.

- But it will get authority to pay some subsidies on a specific list of commodities.

- On balance, the new law will be somewhat easier to live with.

There's one hitch in all this. There are only five short weeks left for Congress to put together a complicated bill and get it through both Houses. Pulling and hauling over dozens of amendments will keep the legislators from meeting the June 30 deadline. There are already moves afoot for a temporary 60- or 90-day extension of the present law, perhaps with "quickie" amendments.

- **Checkrein**—Such an extension doesn't sit well with the controllers. During the extension period, their every word and action would be spotlighted by the opposition. This would put a nebulous but very real hobble on the controllers' freedom of action.

I. Truman's Lineup

Truman's controllers parading to the House and Senate banking committees haven't kept in step with each other or with the President's recommendations.

Charles Wilson, the top mobilizer of them all, is being a "good soldier." Of the dozen amendments he took to Congress, there were only two or three he really feels very strongly about.

Jess Larsen, whose General Services Administration has been buying natural rubber and machine tools—among a great many other things—had "person-

al" reservations about the need for new government corporations to do these and other similar jobs.

Edwin T. Gibson, acting Defense Production Administrator, revealed he wasn't too well briefed on the new powers his agency was supposed to need in order to do a better job.

Charles Brannan made things easier for Administration congressmen by keeping any drastic parity freeze out of Truman's proposals. But he is having a tough time trying to be a spokesman for both Truman and the farmers when every farm group is blasting away at Truman's program.

DiSalle, who has price control well off the ground after a rather erratic start, may be losing his winning ways with congressmen. Already, there's talk of DiSalle's desire to go back to Ohio to fix his fences for his next political objective.

Eric Johnston, the Economic Stabilizer, has been Truman's solidest salesman for the over-all program. Johnston's smooth footwork and consistently to-the-point replies to nettlesome questions are a performance that has his critics admitting he's a solid sender for the Administration program.

II. The Opposition

The 60-some organizations that are testifying before the Senate committee on the Defense Production Act will—except for labor spokesmen—be opposition witnesses.

The U. S. Chamber of Commerce and the National Assn. of Manufacturers have come out for an end to price and wage controls. So has the powerful American Farm Bureau Federation.

Other business organizations, including those representing producers of livestock, cotton, and other commodities, will hammer hard for their own amendments or for outright repeal of controls on their particular fields.

- **Farm Bureau**—Apparently the best behind-the-scenes organizing of grass-roots pressure is being directed by the Farm Bureau. At least two dozen state meetings of Farm Bureau and other business groups have been held to get members and other organizations to write, wire, phone, and visit their congressmen and senators.

The controllers know—and so do the congressmen and senators—that the memberships of these organizations are not 100% behind their spokesmen on price controls. There's a report around

Washington that a Chamber of Commerce poll of those attending its recent annual meetings reveals a 50-50 split.

III. The Outlook

The real objective of most people who ask repeal of all price controls actually is this: to prevent rollbacks. The controllers have been aiming at holding a line based on the pre-Korea base period set up in the law. They figure they can make it work, but only if they get consumer—that is, vote-getting—support. That means putting the price of meat back to the late January level, which the livestock rollback is designed to do.

One quick way of ending the beef rollback has already been brought to light. Chairman Maybank of the Senate Banking Committee asked DiSalle what he thought of an extension of the present law with this change: Make February-March of this year the new floor for price ceilings instead of the May 24 to June 24, 1950, period that's in the act.

Whether or not some such simple scheme catches on remains to be seen. Almost anything can happen during the next few weeks.

Reverses in Korea—or dramatic new inflationary pressures—could wash out all the plans for weakening Truman's present authority.

Right now, though, here's the best guess on the outcome for Truman's main requests:

- **Price controls**: Some weakening of the present law seems sure.

- **Subsidies**: Congress will approve subsidies to marginal producers or for imports, but only on specified commodities, or with highly restrictive provisions. No broad, general subsidy power will be approved.

- **Government corporations**: The best guess is that Congress will tell Truman to come up with specific proposals for specific tasks. These will be considered separately later.

- **Rent controls**: They will also be considered separately. That means later on. Controls on commercial rents are out. The present law will be extended in substantially the present form.

- **Government authority to build plants**: This probably will be voted for under specified conditions.

- **Price controls over utilities**: OPS is unlikely to get the wider powers it wants.

- **Licensing of business**: very doubtful at this time.

In World War II, OPA had the power to license all business; it could put price violators out of business by withdrawing their licenses. OPS wants the same power, probably won't get it.

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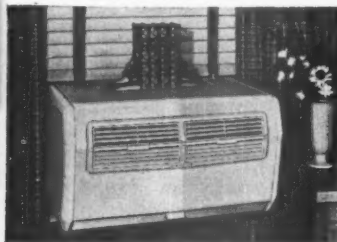
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BUSINESS BRIEFS

Mail order houses are getting some relief from the general price freeze that caught them Dec. 1, just as they were issuing new season catalogs listing higher prices (BW—Jan. 20'51,p21). By special provision, OPS will permit houses that sell at retail through published catalogs that have an effective period of at least four months to apply for modified pricing methods.

Freight car production, running at 8,274 cars for the month of April, will drop sharply in July. NPA has cut its third-quarter allotment of steel to railroad equipment builders by 28%—enough to build only 7,600 cars a month.

New metal tariffs, effective June 6, will cut duty on lead (from 2½¢ a lb. to 1 ¼¢ a lb.), on zinc (from 7¢ a lb. to 7 ¼¢ a lb.), on aluminum (from 2¢ a lb. to 1½¢ a lb.), and on titanium (from 25% to 20% ad valorem).

Parcel post mail rates will go up 25% Oct. 1. The increase, approved by ICC, is expected to bring the Post Office Dept. \$105-million more in revenues.

Major layoffs were announced this week by Hudson, Ford, and the Pennsylvania R.R. Hudson shut down for three weeks because of a drop in sales, laying off 10,000 . . . Auto production cuts ordered by NPA will force furloughs of 10,000 Ford workers by August, according to Henry Ford II, president . . . The Pennsy will lay off 3,500 men in shops at Altoona as part of a cutback in maintenance forces over the whole system.

Rumor has it that Phoenix Industries Corp. of New York has bought a \$4-million controlling interest in Nedicks, Inc., New York lunch counter chain, (BW—Jul.1'50,p48). Phoenix Industries is headed by Walter S. Mack, Jr., ex-chairman of Pepsi-Cola Co.

Apex Smelting Co. has dropped out of the government's plan for a 637,000-ton expansion of aluminum capacity. Though guaranteed a market for five years and accelerated amortization on all new plant, Apex decided that, lacking fabricating plants, it could not compete with Big Three producers.

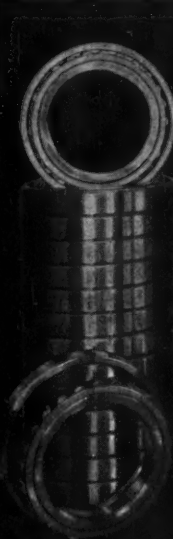
GE has O.K.'d Louisville as the site for a \$14-million plant to build parts for jet engines. The plant will spread over 700 acres, employ 16,000 workers. Construction starts as soon as Louisville's zoning commission rezones the area for industrial use.



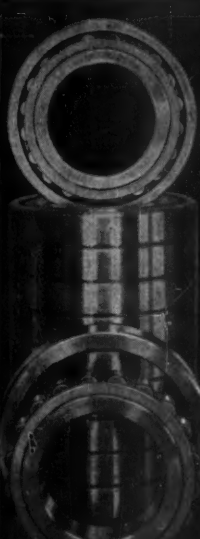
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LABOR

WSB Fights Flames; Fireproofing Waits

- Taylor's new board, facing accumulation of 1,200 cases, tackles the hot ones first. Basic policy will be made later.
- Thus packinghouse workers get a 9¢ raise. It's not a new rule, just "relaxation" of an old one.
- When major revisions do come, they're likely to include lifting of 10% ceiling on basis of Apr. 15 c-of-l index.
- Also in the cards are: approval of annual improvement boosts, and a common rule for escalators, contract reopenings, and deferred raises.

The new Wage Stabilization Board isn't making new wage policy—yet. Rather, the board is approving exceptions to policies that it is going to overhaul later.

Like any team of smoke-eaters confronted with a fire, WSB is putting out the flames. When the blaze dies down, it will be time to get around to fireproofing the structure.

• **Accumulation**—Between the demise of the old Ching WSB and the creation of the Taylor WSB, a backlog of 1,200 cases piled up. Some of them were red hot. When the board really got back in business last week it had to take first things first. The meatpacking case, for example.

With the reaction of cattlemen and packers to price controls threatening normal meat marketing, the possibility of a packinghouse strike had to be cleared away. And instead of making new policy to cover meatpacking and similar cases, WSB "relaxed" an existing regulation.

Thus WSB's decision to approve a 9¢-an-hour increase for the stockyards is identified by the board as a first step toward new wage rules—not as a new rule in itself.

• **Industry Dissents**—Just what the new rules will be, WSB is not yet prepared to say. But it doesn't want to keep the packinghouse workers waiting while it makes up its mind. Its decision was criticized by the industry members, who made up the minority in the 8-to-4 decision. They objected to favored treatment for the packinghouse workers in advance of a general revision of wage rules. When this revision comes, it will bring three major changes:

• **Lifting of the 10% ceiling**, on the basis of the Apr. 15 Consumers Price Index released at midweek by the Bureau of Labor Statistics. When it

issued Regulation No. 6 on Feb. 15, WSB promised to "review" the 10% figure at this time.

• **Approval—outside the ceiling limitation**—of so-called annual improvement increases based on increased productivity. These predominate in the automobile industry and vary from 3¢ to 5¢ an hour. The issue is urgent because a 4¢ increase is due May 29 for more than 350,000 hourly paid and 82,000 salaried General Motors employees.

• **Adoption of a common rule** for cost-of-living wage escalators, other deferred increases, and increases made under wage-reopening provisions of labor contracts. The present setup admittedly discriminates in favor of workers covered by c-of-l contracts.

In granting the meatpacking raise, WSB Chairman Taylor made a strong point of the fact that the 9¢ increase would have been approved under Regulation No. 8 if last August the meatpackers and the three unions—CIO, AFL, and independent—had chosen an escalator clause instead of a six-month wage reopening.

• **C-of-L Basis**—The meatpackers and their employees, he indicated, should not be penalized because they sought to protect themselves against economic changes by an unlimited reopening instead of the narrower escalator.

This points to a policy, then, of treating wage reopenings and escalators alike. The cost-of-living index would be the regulator of wage adjustments apart from productivity increases.

The two-year meatpacking contracts permit another reopening in August.

Other developments on the WSB front are:

• **Regulation No. 5**, covering wage adjustments for individual employees,

is being revised. WSB withheld action on an average 2¢ additional increase in the meatpacking case intended to be granted on a selective basis to widen job differentials. This matter will be considered in the light of the revised regulation.

• **Regulation No. 9** on wages in new plants was amended so that employers may obtain permission to extend existing insurance and pension plans to them and to install ranges of rates in areas where it is the practice to use single rates. The board also passed a resolution making it easier for construction contractors to pay prevailing wages (which are required on government construction by the Bacon-Davis act).

• **Regulation No. 11** was issued, removing the 10% ceiling from farm wages now under 95¢ an hour.

• **WSB approved agreements:** (1) of the Chicago, North Shore & Milwaukee R.R., providing for an increase of 7¢ an hour and reduction of the work week from 44 to 40 hours, and (2) of the Chicago, Aurora & Elgin Railway Co., reducing the work week from 48 to 40 hours. The agreements are patterned after the 1948 nonoperating railroads agreement and were approved under Eric Johnston's order in the nonoperating railroad case this month.

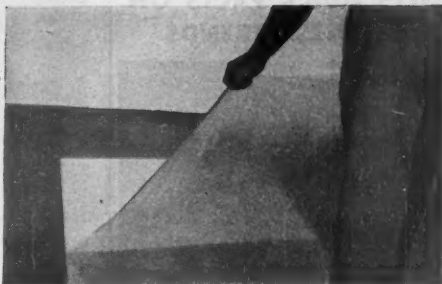
• **Congress began hearings** on WSB. The House labor committee began a critical examination of WSB's wage policies and role in labor disputes. The more friendly Senate labor-management subcommittee began what will probably be a defense of Truman's assignment of disputes functions to WSB.

• **Taylor told this group** that WSB will not be utilized as a "board of inquiry" under the Taft-Hartley national emergency procedure; WSB should not be given compulsory powers in disputes, but prefers to rely on voluntary actions; a no-strike-no-lockout pledge is not desirable at this time because then WSB would have to handle disputes that employers and unions normally would fight out among themselves. Taylor doesn't want such a function.

• **Carroll E. French** of the National Assn. of Manufacturers and William B. Barton of the U. S. Chamber of Commerce have set up a small research staff in Washington's Raleigh Hotel to assist WSB industry members. Employers may get some guidance, if they drop in, but they will not be given legal advice or help in preparing a wage case.



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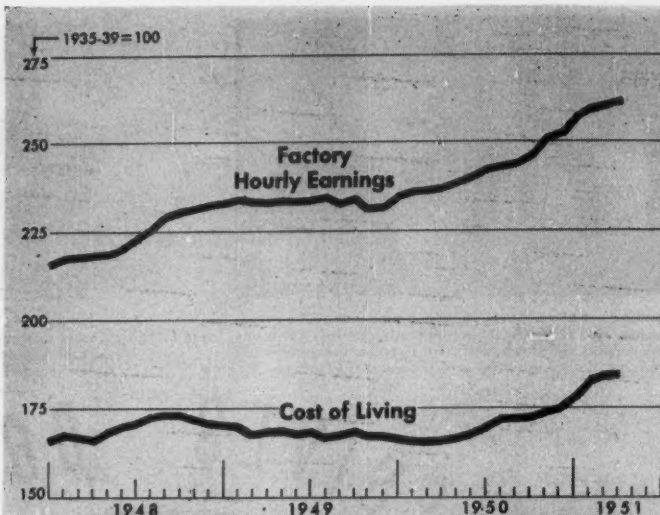
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Data: Bureau of Labor Statistics.

Factory earnings and living costs, along with ...

A Quick Appraisal Of the Labor Market

Coming on the eve of new stabilization decisions (page 30), BUSINESS WEEK's quarterly labor-market balance sheet for the first three months of 1951 has more than its usual significance. It points up the trends that the Wage Stabilization Board must keep in mind.

As it was three months ago (BW—Feb. 24 '51, p. 32), the main thing in the balance sheet is the relationship between factory hourly earnings and rising living costs. This is the crux of the whole wage stabilization problem. But take a sharp look, too, at the way factory employment climbed during the first quarter of 1951.

I. Costs Outgain Pay

In the last quarter of 1950, hourly earnings in factories, including overtime, outstepped living costs—due largely to pre-stabilization wage boosts. In the first quarter of 1951, with wage increases limited by WSB, living costs outgained earnings. While costs rose 1.6%, wages went up 0.8%.

(Toting up gains since the start of the Korean War, however, factory wages have increased 8.4%, living costs 8%.)

II. Hours Are Steady

The average hours of work a week for factory production workers stayed about the same over the first quarter and stood

at 41.1 hours in the middle of March.

The work week has remained stable at about 41 hours for eight months now. That's one and a half hours longer than it was a year ago in durable-goods manufacturing, one hour longer than it was in nondurables.

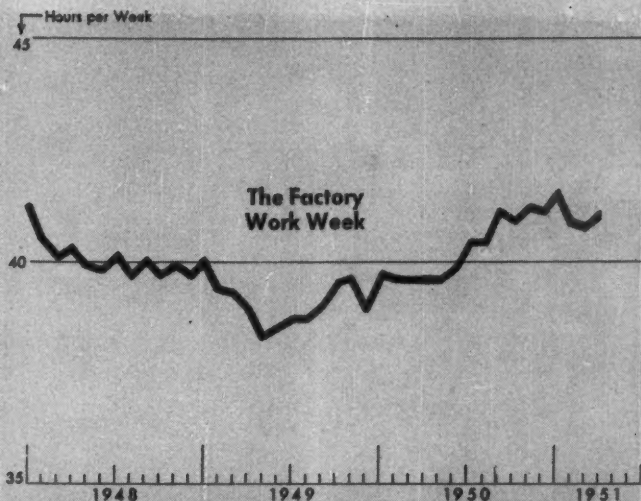
III. More Turnover

Factory employment rose sharply in the first quarter of 1951 after dropping seasonally at the end of 1950. By the end of the quarter, employment stood at 15,985,000—and BUSINESS WEEK's index of business activity had climbed to a new postwar high.

The hiring rate rose to 4.8 per 100 in the first three months of the year, while separations (quits and firings) pushed up at a slower rate, to 4.1 per 100. Job shopping in a tightening labor market remained the biggest factor in the high separations rate.

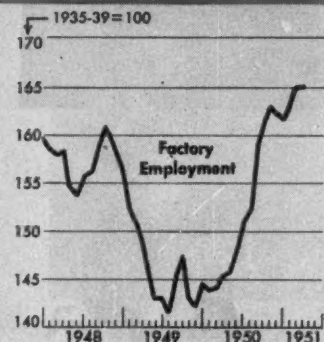
IV. Strike Front Quiet

The strike gain for the first quarter is sharp, but seasonal. The same movement showed up in 1948, 1949, and 1950. Reason: A lot of contracts open up in the first few months of the year. The 1950 strikes were small ones. You can see that in the very slight increase in man-days idle for the quarters.

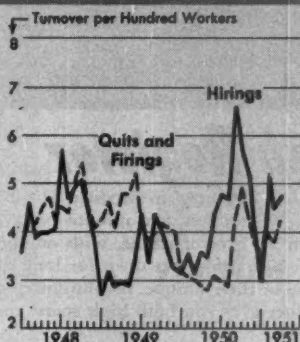


... Hours worked, are stabilization factors

The Labor Market



Data: Bureau of Labor Statistics

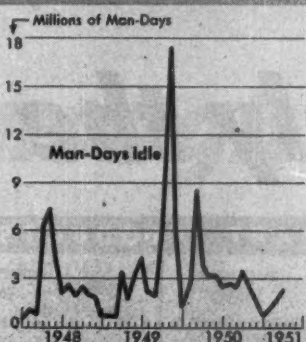


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The Strike Picture



Data: Bureau of Labor Statistics



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Medical, production and labor authorities recognize and approve the importance of electric water coolers as essential to the health and efficiency of the new army of production workers.

And Here's How

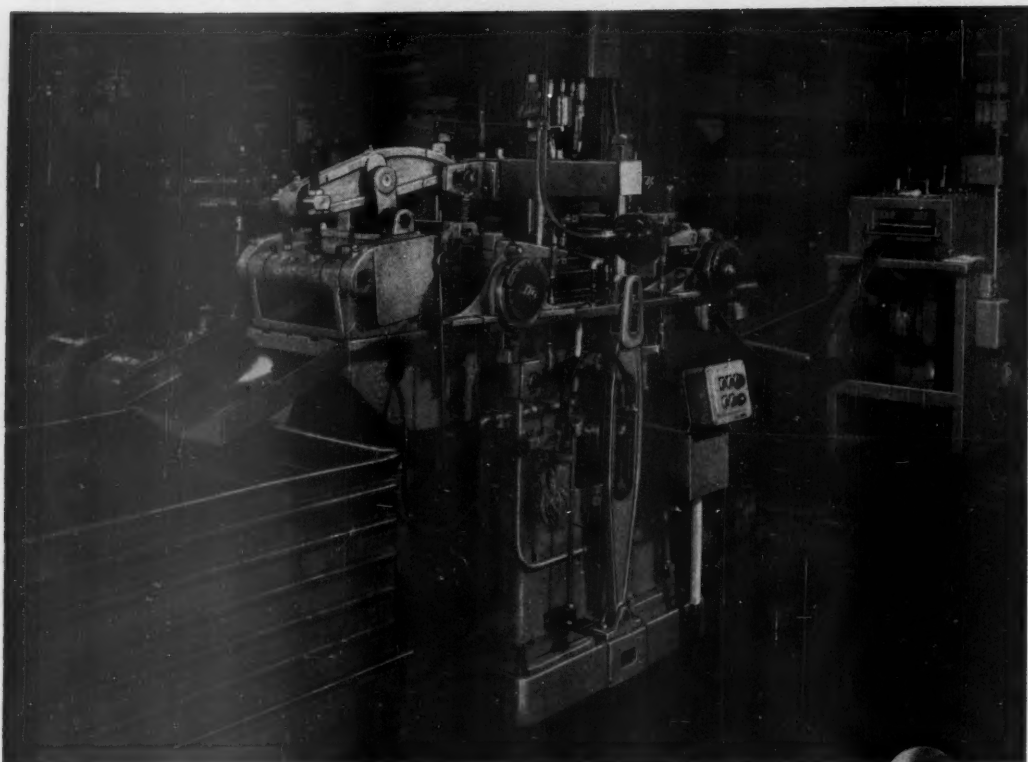
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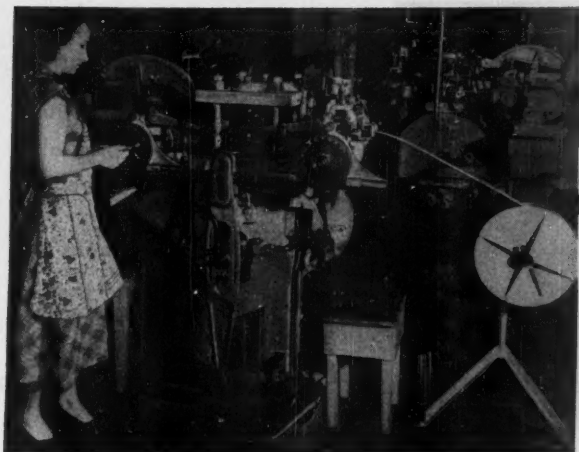
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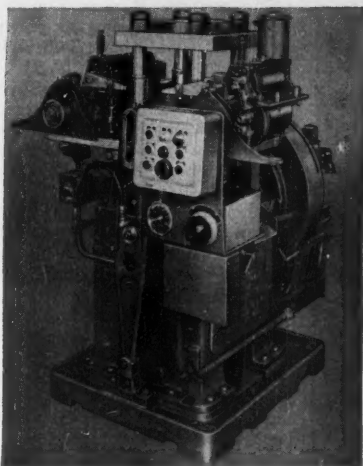


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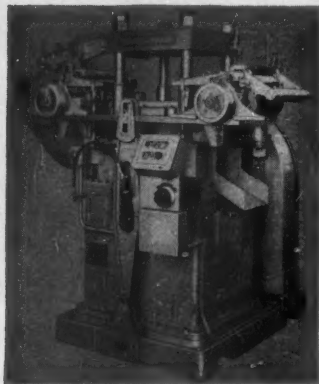


For The Esterbrook Pen

Company which, from the start, has used H. & W. Dieing Machines to produce a wide variety of components for its modern line of fountain pens. Esterbrook selected H. & W. Dieing Machines because of rigidity of lower platen and four-post guide — and their versatility. Stainless steel clips shown here are produced in combination dies which blank, form and mark.



For Link-Belt Company, which uses Henry & Wright Dieing Machines to produce parts for power transmission chain. Here is additional proof that you can depend upon H. & W. machines for speed, precision and sustained efficiency in the production of metal stampings.



For Addressograph-Multigraph

Corporation where complete-per-stroke production on Henry & Wright Dieing Machines keeps production rates high and costs low. Leading companies know they can get the performance they need with Henry & Wright machines.

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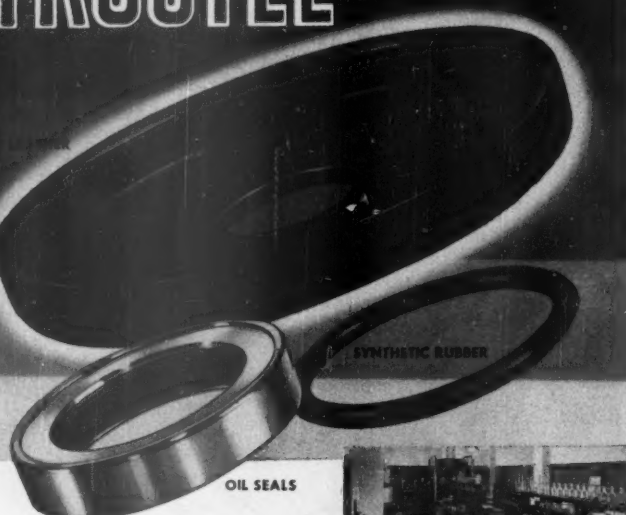
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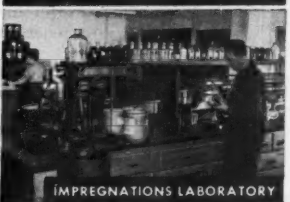
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Preventive Strike

Walkouts at Western Union protest supervisor training plan. Workers fear plan aims to develop strikebreakers.

A handful of trained supervisors can keep a highly mechanized company operating during a strike. Telephone and telegraph unionists know that from past experience. Every supervisor is a potential strikebreaker in their eyes.

That's why a rash of wildcat work stoppages hit Western Union Telegraph Co. last week. Scattered over 12 states, some 3,000 of Western Union's 34,000 AFL employees quit work, demanding that the company halt an expanded supervisor training program.

• **Slow Return**—Western Union suspended the training program promptly, "in the public interest," though it branded the walkouts as "illegal." Suspension of the program set off a slow back-to-work movement. But it was a truce, not a peace. The union warned that supervisors must stick to supervising, keep their hands off operating equipment.

Behind the furore was the possibility of a Western Union strike on July 1, over wage demands. Wildcatters charged the plan was for the "sole purpose" of training strikebreakers.

Western Union denied this, saying that the program had no other goal than to familiarize supervisors with the new mechanized transmission system—to assure continued service in "any situation such as storms, earthquakes, and other emergencies." The company said the program would not jeopardize the rights of union employees in any way.

• **"Spontaneous"**—The wildcat walkouts started in Philadelphia and Cincinnati, soon spread as far as San Francisco. The AFL's Commercial Telegraphers Union denied responsibility for the "spontaneous" walkouts.

The underlying dispute between CTU's Western Union Division and the company is over union demands for (1) an across-the-board 15¢-an-hour wage increase; and (2) revisions in the work week that would cost the company an additional 10¢ an hour.

• **War Clause**—Western Union and CTU signed a contract on July 1, 1950, to run to Mar. 31, 1952. The pact contains an unusual provision: It can be reopened on wages only "in the event of war, either by a declaration of war by the United States, or a war resulting from an attack made by another nation on the United States, its territorial possessions, or bases."

The union contends that a reopening

"I always set my watch by the radio"



It's all right with us, but better be careful.

You really ought to break the habit of setting your watch, say, by Jack Benny's voice, even though you've been hearing him at the same time for sixteen years. You should know there can be a gap of anywhere from 3 to 30 seconds between radio's official time signal (the hourly "beep") and the start of a program.

Chances are you know better. It's just a habit with you.

Just as it's a habit to turn on the radio for a favorite comedian, or to find out whether the road's safe for driving, or whether school keeps; or to learn the path of the hurricane or the course of the battle.

In one generation, radio has become perhaps the most typical American habit. More of a habit than the Sunday drive (we own

more radios than automobiles). More of a habit than taking a bath (we own more radios than bathtubs). Most Americans would find it hard to live without a radio. It almost ranks with meals as something we couldn't regularly do without.

This habit of listening* is a most useful one for advertisers.**

Through radio, customers make their own daily or weekly appointment with the advertiser... come to him deliberately, time after time, ready to listen to what he has to say.

What you have to say, and what you have to sell, can very easily become a habit with millions of people, through radio.

*GREATEST HABIT: listening to CBS. 23% more people listen here than anywhere else.

**GREATEST ADVERTISING HABIT: CBS, where 15% more is invented than on any other network.

The Columbia Broadcasting System



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everyone has
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but when drinking
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79% prefer PAPER CUPS

Management has found it pays big dividends to add paper cup service to bubbler fountains—for complete drinking water service.

Because surveys at public fountains show 8 out of 10 people prefer—and look for—paper cups.

Because paper cup service cuts risk of contagion, reduces absenteeism, fosters efficiency and morale.

And AJAX cups, economically printed, can put any desired message right before the eyes of every user.

Modernize your drinking water service—easily, economically. Send coupon for fact-filled folder “X Marks the Spot.”

AJAX Cup Filler fits
outlet now on most
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And easily attached
AJAX dispenser keeps
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AJAX PAPER CUPS
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UNITED STATES ENVELOPE COMPANY
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Gentlemen: Send me without obligation your folder on Complete Drinking Water Service, and samples of imprinted AJAX Cups.

Name

Firm

Address

Enc. 2

is possible in view of the Korean War. The company says that “since there has been no declaration of war” the union has no right to reopen the contract.

However, the company offered to raise pay to whatever ceiling is approved

by the Wage Stabilization Board if—and it's an important condition—the government will O.K. “rate increases . . . to defray increased cost” of wages.

CTU said it wasn't interested in any offer with strings attached.

THE LABOR ANGLE

The Active Unionist: I

THE CURRENT ISSUE of “The Annals,” publication of the American Academy of Political & Social Science, is devoted exclusively to the subject of Labor in the American Economy. It has 28 articles, running over 200 pages, examining problems, policies, and principles. The authors range from Philip Taft, the distinguished labor economist and historian, to Robert A. Taft, the distinguished Republican; from Alexander Heron, West Coast industrialist, to Walter Reuther, labor leader. Included among them are such important thinkers in the field as George Taylor, Selig Perlman, and Edwin E. Witte.

A useful compendium of information and diverse views, the issue is impossible to summarize. Each author either devotes himself to a different facet of the subject or, as on the question of the Taft-Hartley act, two authors argue opposing sides of the question. With few exceptions, however, most of the material repeats writing done before and throws no great new light upon the complex subject.

THE MOST NOTABLE EXCEPTION may be found in a paper by Joel Seidman and two associates from the University of Chicago. It is a preliminary excerpt from a large research study on the American worker as a union member; their contribution to *The Annals* is titled *Why Workers Join Unions*.

Although they do not identify the plant and local union that they studied exhaustively to discover why workers join unions, internal evidence suggests that it is the mammoth South Works of the U.S. Steel Co. in South Chicago and Local 65 of the United Steelworkers Union, CIO. In any event, it is stated that the local union has a membership of 14,000 under a maintenance of membership contract it has held for “some years.”

The matter of greatest significance turned up by the Seidman study is really a byproduct of its main line of

inquiry. And the authors, intent on their research objective, pay it no attention at all. One wishes that, having come on this nugget, the researchers had dropped the much less important study they had outlined and dug deeper where the real pay dirt was to be found.

FOR IN THE BUSINESS of setting up the group of unionists to be interviewed, Seidman has come upon a startling fact, the implications of which are profound. And here it is:

This local union, with a membership of 14,000, had 13 officers, plus 23 grievance committeemen and chairmen of standing committees. It is credited with a total of 36 “leaders.” Now how many among the remaining 13,964 members are “active members”?

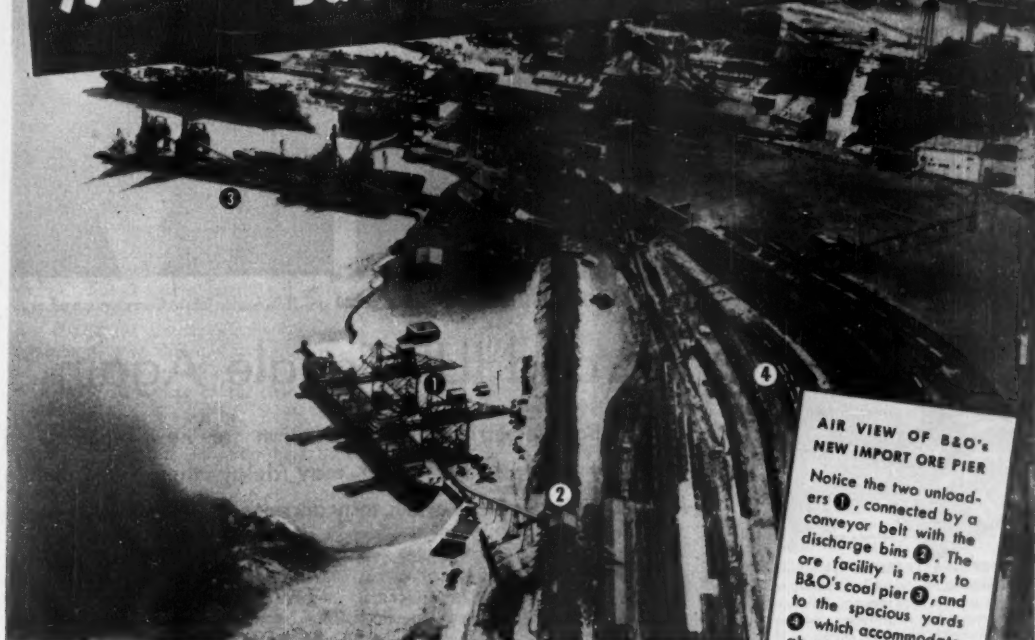
For purposes of defining an “active” member, Seidman's study uses attendance at meetings as the criterion. Active members were designated as those who had attended from four to seven meetings in the previous year—a very liberal standard when it is known that the local has biweekly meetings regularly and special meetings from time to time. Super-active members were defined as those who attended more than seven meetings during the year.

BEFORE READING FURTHER, you are challenged to guess how many in this local of 14,000, exclusive of its 36 leaders, attended four or more meetings over a twelve-month period.

These are the facts: 43 men attended four to seven meetings; 41 attended eight to twenty meetings; and 5 attended twenty-one or more meetings. A total of 89 men out of 14,000 were interested enough in union affairs to come to four or more union meetings during the year. That equals .6 of 1% or .006 as an index of participation, defining participation very liberally.

Next week's Labor Angle will go deeper into what this means.

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B&O—THROUGH BALTIMORE!



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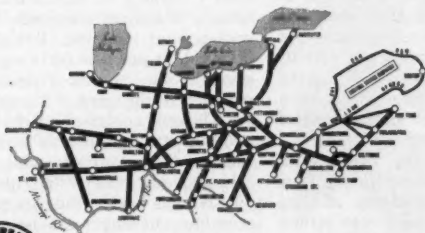
Notice the two unloaders ①, connected by a conveyor belt with the discharge bins ②. The ore facility is next to B&O's coal pier ③, and to the spacious yards ④ which accommodate about 2,000 cars.

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- Vessels can be released and turned in the shortest possible time.
- Ore trains leaving facility can by-pass the Baltimore area's heavy traffic.
- Facility is coordinated with B&O's coal pier and supporting yards; empty cars will readily be available.
- When pier is extended, handling capacity will be doubled; two ships can then be worked at once.



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LABOR FEUDISTS UE boss Albert Fitzgerald and IUE leader James Carey square off as . . .

UE and IUE Tangle Again

Both electrical unions petition for new elections in fight for control. But NLRB may delay them. Meanwhile leftist UE wins 9¢ raise at GE, may accept same at Westinghouse.

The United Electrical Workers (ex-CIO) signed on the dotted line last week for a 9¢ hourly raise from General Electric—the amount already in effect for 70,000 other GE employees covered by cost-of-living escalator contracts. UE's increase must be O.K.'d by the Wage Stabilization Board before it can show up in pay envelopes.

The 9¢ settlement with General Electric (UE originally asked 32¢) is expected to set a pattern for settlements with UE employees at Westinghouse and elsewhere—although the union balked at a 9¢ offer from Westinghouse last week.

• **Strategy?**—The GE settlement coincided with a new outbreak of jurisdictional feuding between UE and CIO's International Union of Electrical Workers.

UE and IUE squared off last year in a rough-and-tumble slugfest over bargaining rights. IUE won on points—but failed to score a decisive victory over its left-wing rival (BW—Jun. 3 '50, p84). Ever since, the two unions have been impatiently waiting for another test of strength in a major ring.

The chance came this week. With National Labor Relations Board time limits against new elections running out, IUE and UE hurried into action.

• IUE announced it is petitioning for a second round of NLRB elections at General Electric's Schenectady (N. Y.) and Erie (Pa.) plants. These are UE's

main strongpoints in the GE chain—where IUE last year won representation rights over 70,000 employees in 49 plants, and UE over 30,000 in 40 plants.

• UE petitioned for an NLRB election at the big Westinghouse plant in East Pittsburgh. IUE won bargaining rights for the plant's 13,000 employees by a slim, 200-vote margin last year. The two unions broke even on other Westinghouse plants, with 20 each, but IUE came out bargaining for 40,000 employees, UE for 15,000.

Taft-Hartley allows a repeat election in a plant after one year has gone by. Recently, however, NLRB refused to set a new election in GE's biggest plant at Lynn, Mass. It said a UE petition for a vote there was "untimely" because the union hadn't waited long enough.

• **Continuity?**—The board recently revised its policy on representation elections to "encourage continuity" in labor-management relations (BW—May 19 '51, p34). It put new curbs on elections prior to the normal expiration of a contract. In the spirit of this new policy, NLRB could conceivably hold that IUE and UE petitions are also "untimely"—because their contracts with GE and Westinghouse run until April, 1952. (NLRB has held in the past that representation challenges can be barred for the full term of a two-year contract.)

Such a decision would block, for a year, a flood of organizing drives and election campaigns in the industry.

Too Much Help

NLRB rules that an employer may be violating Taft-Hartley if he helps a right-wing union oust leftist opposition.

An employer can go too far in helping a right-wing union oust a left-wing union from a plant. If he obviously takes sides in a fight between the unions, he violates Taft-Hartley bars against employer interference with free bargaining elections.

• **NLRB Rules**—That's how the National Labor Relations Board ruled last weekend in the controversial Stewart-Warner Corp. case (BW—Feb. 17 '51, p133). The board sympathized with the employer's "patriotic objectives." But it said the law specifically bars interference "with the right of employees to organize in unions of their own choosing," regardless of their political stripe.

"Congress has not authorized this board to engraft an exception upon the statute whenever a [company's] violations may be motivated in part by patriotic objectives," the board majority said.

It ordered Stewart-Warner to stop recognizing the International Brotherhood of Electrical Workers (AFL) as plant bargaining agent. It also told the company to stop "interfering with, restraining, or coercing its employees in the exercise of their right to self-organization."

• **UE Challenged** — The left-wing United Electrical Workers (ex-CIO) held bargaining rights at Stewart-Warner's Chicago plant from 1943 until mid-1949. Then the company canceled its UE contract during a labor dispute, and IBEW called for a new bargaining election.

UE officers hadn't signed non-Communist affidavits, as required under T-H, at that time, so UE couldn't get its name on the election ballot. It campaigned for a "no union" vote against IBEW.

• **IBEW Helped**—Stewart-Warner actively helped IBEW in its campaign, according to NLRB findings. For example, it let IBEW circulate petitions and otherwise campaign on company premises, but denied an equal opportunity to UE. Also, NLRB said, the company tried to induce an employee to sign an IBEW petition by threatening disciplinary action and recalled laid-off employees "for the purpose of assisting IBEW."

• **Charges Filed**—Thus helped, IBEW polled 1,041 votes; 886 were cast for "no union." But three UE members



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Cincinnati 12, Ohio

filed unfair-labor-practice charges, and NLRB held up certification. UE couldn't file charges in its own name without first complying fully with the T-H law.

The International Union of Electrical Workers (CIO) later intervened by filing similar charges. NLRB's decision this week came in the IUE case. The board said it "found it unnecessary"—because of the parallel IUE charges—to act in the case brought by the "individuals" who fronted for UE in getting unfair-labor-practice charges before the board.

The NLRB decision may not end the case. Stewart-Warner said this week that it is studying an appeal to the courts against the board's ruling. Meanwhile, IBEW, UE, and IUE stepped up organizing work around the plant.

LABOR BRIEFS

A poultry strike that virtually shut down the multimillion-dollar Delmarva Peninsula poultry industry for a month ended last week. AFL meat cutters and teamsters settled for 5¢ now, 3¢ more in January, 1952—if WSB O.K.'s.

Office workers at the First National Bank in Wilkesburg, Pa., near Pittsburgh, voted 41-2 against AFL last week. An effort to unionize them was part of a new drive to sign up white-collarites (BW-May 5 '51, p. 36).

An industrywide pact between AFL glass bottle blowers and glass container manufacturers gives workers a 5¢ raise—bringing the total increase in a year to 16½¢. The contract runs to Aug. 31, 1952, reopens on wages Sept. 1, 1951.

A 25¢ raise will be sought by CIO's rubber union from employers of 10,000 rubber workers in Canada. Its goal in the U. S. is a "substantial" raise—probably between 10¢ and 15¢ an hour.

A family store with no outside employees can't be picketed because a union wants a contract requiring the store to hire union clerks—when and if the family needs help. The New York State Labor Relations Board made the ruling when it barred an AFL clerks' union from picketing a New York City delicatessen.

It's a lockout, and illegal, if stores in an employers' association close when their employees' union strikes one store during association-wide bargaining. NLRB ruled that way last week; it required 11 San Francisco stores to reimburse 230 employees for a month's wages lost in the shutdown.

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VACATIONS



FLORIDA'S DREAM come true: Its beaches will look like this all summer because . . .

Everyone's Going Someplace

This year more Americans than ever will travel more places than ever before. They're shooting the works on what may be their last vacation spree.

It looks as though the vacation business never had it so good. As the annual get-away-from-it-all trek gets under way, it shows signs of topping even 1950's bumper \$10-billion business. Estimates range from a conservative 10% to 50% above last year's binge.

Big reason is that more people are getting, or taking, longer vacations. And they have a bird-in-the-hand attitude, figuring that by next year the international situation may worsen, and they'll be out of luck travelwise.

Another thing is that the vacation season itself is lengthening, so it has become almost a year-round business. More and more people are taking their annual jaunts "off season," to avoid overcrowded resorts, and perhaps get better accommodations for less.

• **Bookings Slow, but Good**—Travel groups report that, while bookings are slow to come in, as the month rolls around accommodations are booked solid. And apparently people are ready to shoot the works on what may be their last vacation fling. Deluxe resorts are filled ahead of smaller ones; expensive package trips, like the one to Alaska, at

\$1,000, are going like hot cakes; and the operator of a grand tour of the Northwest is turning away business.

I. How They'll Go

The American Automobile Assn. thinks 1951 will be motor travel's big year. Requests for road information are 20% over last year. Budget-conscious fathers are apt to take one look at the small type on the back of the travel folder, then pack Mom and the kids into the old jalopy. They'll be able to find a stopping place to fit into their budgets—thousands of new motor courts and tourist camps have been constructed since last year. AAA expects 35-million motorists to visit the country's national parks.

Airlines expect one of the biggest—if not the biggest—summers in their history. Eastern Air Line's 16-day package tour to Miami and Puerto Rico was a best seller; Pan American World Airways reports a 15% hike over last year's traffic to Europe, and business in the Caribbean and Hawaii is booming. Trans World Airlines, which operates



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Print all elements of your calculations for permanent record?	<input type="checkbox"/> <input type="checkbox"/>	Print sub-totals and totals in red?	<input type="checkbox"/> <input type="checkbox"/>
Give you ready identification of results?	<input type="checkbox"/> <input type="checkbox"/>	Require only one key stroke to obtain sub-total or total?	<input type="checkbox"/> <input type="checkbox"/>
Permit combined operations — without repeating entries?	<input type="checkbox"/> <input type="checkbox"/>	(If of 10-key design) Permit entry of two or three ciphers with only one key stroke?	<input type="checkbox"/> <input type="checkbox"/>
Require less than 20 minutes' operator training period?	<input type="checkbox"/> <input type="checkbox"/>	Have both non-add key and clearing key electrified?	<input type="checkbox"/> <input type="checkbox"/>
Have a separate multiplication keyboard?	<input type="checkbox"/> <input type="checkbox"/>	Guard against mistakes by locking entire keyboard when incomplete key stroke is inadvertently made?	<input type="checkbox"/> <input type="checkbox"/>

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"...thousands of new motor courts have been constructed..."

VACATION STORY starts on p. 44

65 flights a week to Europe, reports advance bookings up. The airlines are all pretty smug over the family-ticket plan: It's easier to sell Pop on taking the whole family by air. Then, too, they're counting on a little bonanza come June 1, when railroads up pullman rates 15% and add a straight 10% on return tickets to California.

Steamship companies report that business is good. Space to Europe is sold out for May, June, and July. Travel to South America is up, but a lot of that is essential business travel. Grace Line has space for southbound West Coast cruises during April and May only, but can always take care of northbound tourists completing a 'round South America trip.

Bus lines are getting a lot of business, particularly short hauls. Greyhound Bus Lines says that sales of their 200 planned tours for the first quarter of 1951 were 44% ahead of same quarter last year. Interest in these trips is increasing among white collar workers. The company attributes this to the tailor-made arrangements, plus economy.

Railroads are doing fair to middling—"about the same as last year." They've done pretty well on advance bookings—many people are making their reservations early to get in under the June 1 deadline, when pullman rates go up and round trip fares to California are "adjusted" upward. Bit of blue sky is that there won't be the crippling strikes that bedeviled the roads in 1950.

II. Where They'll Go

Itching feet will point in practically every direction.

Indications are that New England will do a land-office business. Early bookings for July and August are 7% ahead of last year's. Yankees are expecting an influx from across the border, as Canadians can carry \$500 out of the country now, compared with only \$150 in previous years. There are some bugs, however. Operating costs are mounting, so are food costs. And many hotels are losing help to defense projects and the armed forces. And competition from Florida as a summer resort is getting stronger.

Interest in Florida-in-the-summer is snowballing. More hotels than ever will stay open this year. Miami will operate 80% of its resorts.

California is expecting another big year. At least 3-million will enter the state by automobile alone.

Michigan, Wisconsin, and Minnesota



Where did this car come from?

Most of us think that new cars come from big auto-making cities.

But the fact is, new automobiles are assembled in these cities—but their hundreds of parts come from every state in the union!

Bringing in these parts involves plenty of expert timing. A few missing pieces

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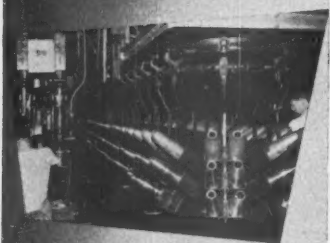
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OFFICES IN PRINCIPAL CITIES

always roll up a heavy percentage of tourists from the Midwest.

Mountain resorts will get a big hunk of the business. Colorado has always been very popular. Sun Valley, Idaho, is making a play for year-round business—it offers a summer package of one week at the resort for \$49.

Travel to Mexico has increased greatly since the outbreak of the Korean war. One reason: favorable exchange rates.

Hawaii and Alaska seem to be replacing the big trek to Europe. Bookings for United Air Lines' 10-day trip from the West Coast to Hawaii (\$330 up plus tax) are 50% above last year's. Professional men seem to be the biggest

takers on the Alaska trips. They go up for the hunting and fishing.

Travel to Europe is way down, compared with 1949. But it does compare pretty well with 1950, probably thanks to the Festival of Britain and the celebration of Paris' 2,000th anniversary.

Bermuda had the biggest April ever.

All in all, those Having-a-wonderful-time cards will be swarming in from nearly everywhere. Travelwise, there seems to be only one dead duck—the Orient. But it's an ill wind etc., it seems the Japanese want to get away from it all, too. They're pouring into the United States for the first time since before World War II.

Mobilization Calls the Vacation Deal

Speedup in defense orders is checking industry's trend to plantwide vacations. The stagger system is less disrupting.

Whether or not industrial plants close down entirely for vacation periods will depend pretty much on how their defense contracts shape up.

Last year, the swing to plantwide shutdowns was gathering momentum (BW—Jun. 10 '50, p. 96). More and more industries were finding it profitable just to "close down entirely rather than stagger employees' vacation. It gave them a chance to take care of plant repairs, and generally it seemed to lower output less than the stagger system.

This year, the situation is changing. With defense orders pouring in and deadlines to meet, many plant managers find that they can't keep on schedule unless they operate full time. Then, too, most of them have taken on new employees, who are not eligible for the usual two-week vacation. With the manpower shortage looming, employers are reluctant to lay off these workers in case they're lured into other defense plants.

• **Some Are Canceling**—A few plants are canceling vacations altogether. In Detroit, General Motors Corp.'s contract provides for pay in lieu of vacation—and the worker has no choice. However, this works both ways: In time of heavy work schedules, there would be no vacations; but in a slack period, workers could be sent off.

Ford Motor Co. is slightly different. General policy there is to take vacations. But management also has the right to give pay in lieu of vacations to men in critical job classifications.

• **Materials Shortage Is One Factor**—Probably none of the major rubber plants will shut down this year. A rising tide of military orders is the big reason. Then, too, in the past three months shortage of rubber cut back production to about 50% or 60% of capacity, and a good many plants laid off workers.

In Cleveland—where the plantwide shutdown got its first big push—many of the larger industries will close down, mostly because there's been a lull in defense orders there or because they're having trouble getting materials.

• **Vacations As Usual**—On the West Coast, the entire Northwest woods industry will follow its usual pattern of closing down for the vacation period. The industry has found that that's about the only way to run as closely integrated an operation as a plywood, pulp, or saw mill. But other industries will spread their vacation periods over as long a period as possible.

In Pittsburgh, mobilization doesn't seem to be having the impact it does in other regions. Most firms will follow their usual pattern, but the trend seems to be to stagger vacations.

Chicago industries are going ahead with their usual vacation plans. Stagger vacations are preferred. But plant managers all over say that heavy defense orders could change the whole picture.

• **Winter Vacations Plugged**—Many firms that use the stagger system are making subtle efforts to span vacations over a long period. More than one house organ is waxing lyrical over the beauties of a late fall or winter vacation.

Aircraft companies have always spread their vacations over a 12-month period. A worker accumulates his vacation pay on his "anniversary date." The firms say that causes the least disruption.

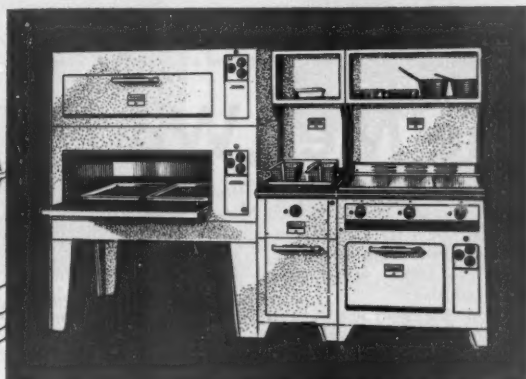
North American Aviation, Inc., has this plan spelled out neatly: Every employee accumulates 120 hours pay on his anniversary date. This includes 80 hours vacation pay and 40 hours sick pay. He gets a check for three weeks' pay. Then he gets docked for any time he takes off during the year—vacation, sick leave, or grandma's funeral.

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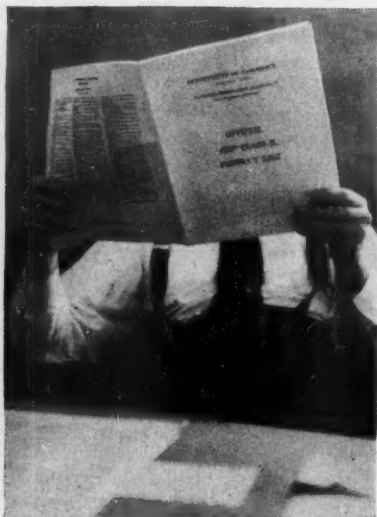
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GOVERNMENT CONTROL



"ANYTHING WRONG?" Burt Roper (left), NPA attorney, and CMP's Arthur Sufrin have to do some explaining to CMP staff on a fine point of a regulation they have drafted.



THE VITAL "B" LIST, a headache to prepare, includes most nonmilitary items to get allotments.

The Men Who Worked Out CMP

It will take more than a pushbutton operation to get the Controlled Materials Plan open for business on July 1. And the story of what it does take is also a good case history of the making of a skilled bureaucrat.

When the government announced the July 1 deadline about a month ago, a staff of about a dozen men in National

Production Authority had sweated out three months already in planning CMP. To them the announcement meant another 11 weeks of hard work before its system of allotting steel, copper, and aluminum for defense and allied production would be in working order.

True, the new allotment system is based on the World War II CMP,

adopts all its philosophy and much of its method of operation. Planners of the new CMP lifted paragraph after paragraph of its regulations from those of the War II version.

But two basic differences prevented today's controllers from reviving the old allocations program intact:

(1) The new program calls for an



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FORMS that tell NPA what business needs are checked by Haight for effectiveness.



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IN COMMAND: Calm above the tumult of "Skuce's people" in action, Walter Skuce, mastermind who's getting CMP off paper, answers 100 telephone calls a day, sees 50 people.



"YOU'RE STUCK WITH IT, MISTER." William Truppner (left), top Skuce aide, can't offer much solace to this inquiring businessman. But nobody gets a brushoff.

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"open-end" CMP. In World War II all production and use of copper, steel, and aluminum were controlled. This time, Washington will control only part of the supply of the three metals—about 50% to start.

(2) Industrial progress has made mechanics of the original CMP partially obsolescent.

• **The Boss**—Revamping the old CMP to make it fit these new requirements has been the responsibility, primarily, of one man. It was no new job to Walter C. Skuce; he had helped launch the first one.

In World War II he teamed with Harold Boeschstein to direct the preparations for CMP and to guide its operation. This time, Skuce has run the show alone.

Last December Skuce picked up the telephone on his desk in Toledo, where he was manager of the transportation products division of Owens-Corning Fiberglas Corp. (of which Boeschstein is president). The call was from W. H. Harrison, then head of NPA. The news from Korea was bad; Harrison was certain the country would need thorough-going materials controls to support mobilization. Would Skuce help?

Skuce would. On Dec. 21 he was appointed staff assistant to Harrison. By then, the two had agreed on three fundamental points:

- CMP must be revived.
- July 1, 1951, should be D-Day for CMP.

- It should be an "open-end" CMP. Harrison insisted materials controls should affect as little of the economy as possible. He feared, with some justification, the public wouldn't stand for all-out controls short of an all-out war. Skuce settled for CMP allotments to only military and directly supporting production; except in a major war they could do the job. If it came to all-out war, the plan could be rapidly expanded.

- **Headache No. 1**—The "open-end" decision brought the first big snarl. It meant Skuce had to separate the "sheep" among manufactured items—all the end products and components slated to get metals allotments—from the "goats" for which there would be no allocations. That immediately led to another problem: How to limit unallocated production to provide metal for the allocated programs.

Skuce's solution is to gauge the requirements of the allocated production, deduct them from available metal supply, and leave the rest theoretically "free" for all other uses. To prevent a scramble for the "free" metal, NPA will limit steel, copper, and aluminum use across the board in unallocated production.

- **"Skuce's People"**—The formula was set. But working it out proved almost as

tough as setting up the equation. That was the job of the small team of experts known to other NPA staffers as "Skuce's people."

Skuce's people, so busy they have remained anonymous, are mostly businessmen. Only his top aide, economist William C. Truppner, can be termed a career bureaucrat. And he, like a good number of his colleagues, worked in the War Production Board on the original CMP.

Skuce began gathering his staff in January. That's about par for government hiring these days—it takes four to six weeks to get a prospective employee through loyalty and routine government examinations.

The staff set itself a rugged timetable. By Mar. 15 it was to have prepared the general regulations and the CMP forms on which industry would report its requirements for third-quarter allocations. This meant moving a mountain of paper.

• **"B" List Trouble**—For example, the "B" product list took two and a half months of the time of two staffers, William M. Haile and John J. Thompson. A basic document for CMP operation, the "B" list is a codification of most nonmunitions items that contain steel, copper, and aluminum—including both nonmilitary items that will get allocations and those that won't. It gives the planners a complete picture of who's going to want metals. In setting it up, Haile and Thompson ran up against the first concrete evidence of the technological obsolescence of World War II CMP blueprints.

In the first place, the old WPB list of "B" products contained items that are no longer made of copper, aluminum, or steel. It also omitted a much larger list of products developed since the war that do contain those metals.

Second, Haile and Thompson started with the coding system of the Bureau of Census—because industry had become familiar with it in the last few years. But the census code bore no resemblance to WPB's "B" list. Haile and Thompson had to expand the census' very general classifications to include a total of about 13,000 products that use the controlled metals.

- **Form Trouble**—Harry W. Robb and Willard C. Haight ran into the same kind of problem when they tried to adapt WPB's basic reporting forms on which industries report their needs. They had to revamp the questions, both to get the new information they did want and to eliminate the data they didn't want.

- **Holdup**—The job appeared well in hand, however, until mid-March, the original target date for official announcement of the new CMP. Neither Skuce nor any of his staff will say so, but it is

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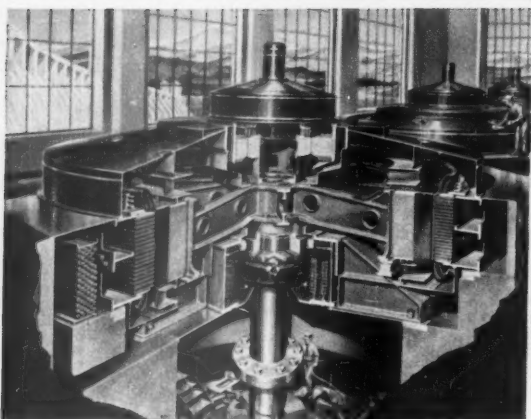


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Another new Glidden Achievement
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Principal Glidden Products: **DURKEE FAMOUS FOODS:** Durkee's Famous Dressing, Margarine, Mayonnaise, Salad Dressing, Shortening, Salad and Cooking Oils, Shred Coconut, Spices and Extracts, Worcestershire Sauce; Puff Pastry Margarines and Shortenings for the Bakery Trade; Special Ingredients for Confectioners **PAINTS:** Spred SATIN; Spred-Flat; Spred-Luster; Japalac* and Ripolin* Enamels; Speed-Wall*; Pli-Namel; Spray-Day-Lite; Endurance* and Endurance* Imperial House Paints; Gliddenspar Varnish; Nubelite; Industrial Finishes; Graphic Arts and Sign Finishes; Glidair Aviation Finishes • **SOYBEAN PRODUCTS:** Alpha* Protein; Prosein*; Fine Chemicals; Cortical and Sex Hormones; Lecithin; Soya Flour and Grits; Albusoy*; Soybean Meal and Flakes; Edible Emulsifiers • **FEEDS:** Poultry and Live Stock Feeds and Concentrates • **VEGETABLE OILS:** Soybean, Coconut, Cottonseed, Peanut, Corn, Palm and Linseed Oils • **CHEMICALS AND PIGMENTS:** Zopaque* Titanium Dioxide; Sunolith* Lithopone; Cadmolith* Cadmium Colors; Litharge; Red Lead; Euston* White Lead; Cuprous Oxide; Zinc Sulphate Crystals • **METALS AND MINERALS:** Cubond* Brazing Compounds; Powdered Iron, Copper, Lead and Tin; Glidden Type Metal; Babbitt; Solders; Barytes; Ilmenite • **NAVAL STORES:** Pine Tars and Rosin; Turpentine; Solvents; Rubber Compounding Agents; Resins; Resinates; Terpene Chemicals; Rosin Oils; Guai-a-phene and Glidcol Anti-Skinning Agents.

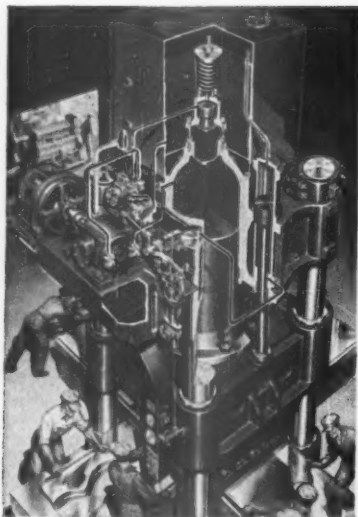


POWER GENERATING EQUIPMENT—hydraulic, steam and gas turbines—can operate continuously only with *Correct Lubrication*. Socony-Vacuum has specialized oils for these vital power producers . . . lubricates more turbines of 5,000 KW and over than any other oil company!

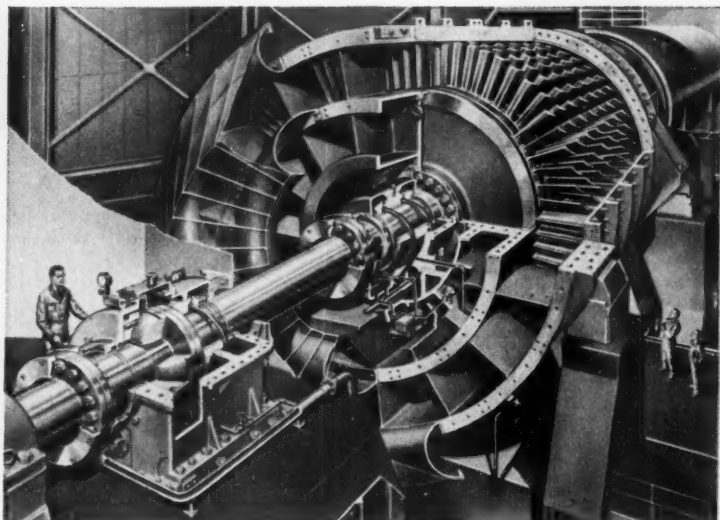


MECHANIZED MINES—coal, metal and mineral—would be impossible without the right oils and greases for complicated equipment (such as this new continuous miner). Socony-Vacuum works closely with leading mine machinery builders to assure the *Correct Lubrication* of every part of every machine.

CORRECT LUBRICATION MOBILIZED..



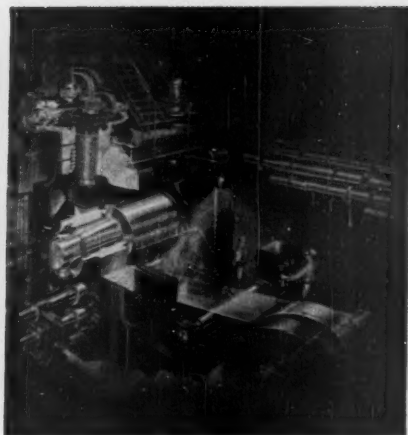
GIANT HYDRAULIC PRESSES—hydraulic machine tools of all kinds—require the *right* hydraulic oils to produce at peak output. Socony-Vacuum pioneered the development of oil as a hydraulic medium, has constantly improved these products, now offers a complete line for hydraulic mechanisms of all types and sizes.



SPECIALIZED MACHINERY—such as this world's largest faster-than-sound wind tunnel—calls for special lubricants and lubrication knowledge. Socony-Vacuum, with 85 years of lubrication experience—more lubrication engineers serving industry than any other oil company—can provide the right oils and greases for every type of machine in your plant.



DIESEL ENGINES—in locomotives, ships, stationary plants—need special lubricating oils to deliver all the power built into them. Socony-Vacuum lubricated Dr. Diesel's first engine . . . has paced Diesel progress ever since with continuously improved oils for both heavy-duty and high-speed Diesels.



STEEL MILLS—and aluminum, copper and brass mills—roll out ribbons of metal at lightning speeds—thanks to special lubricants that stand up under terrific operating temperatures and pressures. Socony-Vacuum developed the first mineral oils for these mills . . . now has proved lubricants for all mill machinery.

TO MEET INDUSTRY'S BIGGEST CHALLENGE!

FROM NOW ON, the accent is on *production*—turning out the greatest amount of goods in the shortest possible time!

This means keeping waste and machine downtime to an absolute minimum—a job that calls for *Correct Lubrication* throughout your plant.

Socony-Vacuum—with 85 years of lubrication experience—is better prepared now than ever before to help you keep your machines on the job. Here's what we have to offer . . .

The petroleum industry's greatest store-

house of lubrication knowledge . . .

The services of the largest staff of lubrication engineers serving industry . . .

The facilities of our research laboratories to solve special problems . . .

A complete line of proved, top-quality oils, greases and metal-processing products—developed in close cooperation with the nation's leading machinery builders.

★ ★ ★

Why not call us today—and get a program of *Correct Lubrication* started in your plant?

THE WORLD'S GREATEST LUBRICATION KNOWLEDGE AND ENGINEERING SERVICE



Socony-Vacuum
Correct Lubrication

SOCONY-VACUUM OIL COMPANY, INC., and Affiliates: MAGNOLIA PETROLEUM COMPANY, GENERAL PETROLEUM CORPORATION



New kind of currency

THIS KEY is a symbol of money saved—because it's made of aluminum.

With aluminum, manufacturers save money on material. They save money on production. And they save money on shipping.

Economy is only one of the outstanding properties of aluminum—which include lightness, strength, corrosion-resistance, workability, heat and light reflectivity.

This unique combination of advantages explains why the demands for aluminum

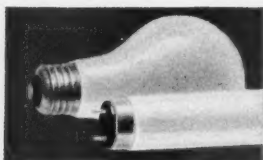
are steadily increasing . . . why it is vital to so many products essential to the nation's preparedness program.

To help speed this program, we are operating at peak capacity and are vastly expanding facilities to produce more primary aluminum. In time, our increased production will be shared by everyone.

Kaiser Aluminum & Chemical Corporation, Oakland, California. 63 sales offices and warehouse distributors in principal cities.

Kaiser Aluminum

A major producer in a growing industry



Aluminum saves money on production of metal bases of electric lights. Lightness means metal goes farther, cuts material costs. Its workability makes it easy to fabricate, cuts production costs.



Aluminum saves money on chemical storage drums and tanks. Resistance to corrosive action of many chemicals means longer life. Light weight cuts shipping costs every time drums are shipped and returned!



Aluminum saves money on typewriter frames. Production costs are lowered through economical mass production die-casting. And light, strong aluminum reduces weight, adding extra value.



Aluminum saves money on service drop cables. Kaiser Aluminum triplex cable combines three wires in one assembly. It needs two-thirds fewer accessories. Takes fewer man hours to install. Can be strung for longer distances.



Aluminum saves money on shoe eyelets. Its combination of advantages makes possible economical mass production, lower material costs—results in eyelets that are strong, rustproof.

"...They couldn't do it before Wilson made up his mind..."

GOVERNMENT CONTROLS starts on p. 50

now evident that higher echelons were stalling the announcement.

Harrison, who had moved up to head the new Defense Production Administration, was for holding off. His successor at NPA, Manly Fleischmann, wanted to go ahead. The row went on for nearly a month, until mobilization director Wilson stepped in and decided in favor of a third-quarter CMP.

As NPA's technical expert on materials controls, Skuce was in no position administratively to take a major role in the in-fighting of the Harrison-Fleischmann policy row. But he saw to it that Fleischmann had answers to Harrison's questions as to the merits of July 1 as a starting date. Obviously, the answers satisfied Wilson. Fleischmann's strongest card: If CMP didn't get going, military contractors would have to go on relying on their DO ratings. And many manufacturers were too swamped with DO's to fill even urgent orders.

While the issue still was in doubt, Skuce kept his staff at the paper work.

• **Waiting**—The month's delay played havoc with their timetable.

The Defense Production Act requires that the industry affected must be consulted before new regulations are issued. So Arthur U. Sufrin and Burt W. Roper had to take the regulations they had drafted to NPA's business advisory committees. They couldn't do it before Wilson made up his mind. You don't call groups of businessmen to Washington to discuss a regulation that may never be issued. At least, NPA doesn't.

Robb and Haight had to meet federal reporting laws. Their application forms had to be approved by the Bureau of the Budget. Budget wouldn't look at the forms until CMP was announced. Then, despite the priority given NPA work, it took three to four weeks to clear each form.

In addition, Skuce could not begin the job of getting forms, regulations, and the like printed and distributed to industry. John F. Skillman and his four-man educational staff had to sweat out the delays before they could start telling government and industry how the new CMP would operate.

• **Information, Please**—Once the announcement came, the whole job moved ahead in double time. But the reporting forms were a month late.

That means the controllers will have to guess at third-quarter requirements of much allocated production—at least until companies get the forms back to

Rockwell Report



by W. F. ROCKWELL, JR.

President

Rockwell Manufacturing Company

EVERY YEAR, at annual report time, we face the problem of what to include beyond bare financial figures. A business isn't just a name, a balance sheet, or products. Its corporate personality and health are influenced by many things—people, tradition, geography, management philosophy, competitors, "the times," changing markets, and dozens of other factors, often including luck.

A few years ago the Rockwell Manufacturing Company was a pretty small business. Compared to many American corporations, it still is, although its growth has been very rapid. It's our plan, through a series of informal advertisements, of which this is the first, to make the steadily increasing number of customers, employees, stockholders and suppliers better acquainted with the Rockwell Manufacturing Company by putting into the record some of the interesting incidents which shape a Company's personality.

Once a second, for over 20 years, a battery of our Nordstrom valves has been turned off and on by the action of arms attached to gasometers in the Union Oil Company's plant in Santa Barbara County, Calif. The valves originally installed were a constant source of trouble because they had no lubrication. The Nordstrom lubricated plug valves installed as replacements are still on duty more than 20 years or 600,000,000 operations later.

Even as the manufacturer, we're often surprised at the ingenious, time-and-cost-saving applications customers find for our Delta power tools. Here's a few recently reported from Wisconsin: Racine Pattern Works got tired of wrestling heavy bath-tub castings around for machining, so a Delta 17" drill press was mounted on a slide to move the machine along the fork to drill the flanges. The Wisconsin Motor Corporation mounted eight 14" Delta drill presses in a single set-up to simultaneously drill 8 smoke holes in 3,080 aluminum pistons each 8-hour day. The Heil Company mounted eight 17" Delta drill presses with two-, three- and five-spindle heads to drill 19 holes on five surfaces of a shallow-well pump housing in a single set up. The Delta sales department in Milwaukee has collected hundreds of case histories of successful special set-ups as a guide to production men with a problem of their own.

Uncle Sam gets all that's coming to him when you slide your money across the bar for a glass of beer. That's due to a 270-pound hunk of bronze machinery, called a beer meter, of which there is at least one in every brewery. Periodically tested by the Bureau of Standards for the Internal Revenue Department, they account for about \$800,000,000 a year in taxes. Beer meters are another of our diverse products.

In acquiring eight companies in the last ten years we've been more interested in buying management than plants and tools. While we have a headquarters staff with specialized abilities in all phases of business operation, it is an advisory staff. The individual plant manager has the authority and responsibility to run his operation as if it was his own business—which in some cases it once was. Actually, therefore, the Rockwell Manufacturing Company is simply a group of small businesses, each locally managed, each a part of its own community, and each successful in itself.

First of a series of informal reports on the operation and growth of the
ROCKWELL MANUFACTURING COMPANY
PITTSBURGH 8, PA.



when your Engineers *Specify...*



You can be Sure
You're getting the Best



Quality control of Wickwire Rope is complete and uninterrupted from actual steel refining to final rope making. When your engineers or purchasing department specify Wickwire Rope, you're sure of wire rope that's as good as it's humanly possible to make—rope that's unsurpassed for safe, dependable performance...longer, more economical service on the job.

Our distributors and rope engineers are always prepared to cooperate with your engineering staff or purchasing personnel in the proper selection, application and usage of wire rope.

LOOK FOR THE YELLOW TRIANGLE ON THE REEL

WICKWIRE ROPE



A PRODUCT OF WICKWIRE SPENCER STEEL DIVISION OF THE COLORADO FUEL AND IRON CORPORATION
WIRE ROPE SALES OFFICE & PLANT—Palmer, Mass. EXECUTIVE OFFICE—500 Fifth Ave., New York 18, N.Y.
SALES OFFICES—Abilene (Tex.) • Boston • Buffalo • Casper • Chattanooga • Chicago • Denver • Detroit
Emlenton (Pa.) • Houston • New York • Odessa (Tex.) • Philadelphia • Phoenix • Salt Lake City • Tulsa
PACIFIC COAST SUBSIDIARY—The California Wire Cloth Corporation, Oakland 6, California

"...no caller—regardless of what his business is—gets a complete brushoff..."

GOVERNMENT CONTROLS starts on p. 50

NPA. The job of screening them probably will take the controllers well beyond July 1. If it does, the production affected will have to operate temporarily on interim allocations—an unpleasant, but not impossible, prospect.

• **Team**—That adds up to a better than fair record for Skuce and staff. It's the kind of record only a close-knit team can achieve under such circumstances.

You can see the Skuce team at its best during the almost-daily staff conferences around the big table in Skuce's office. Problem after problem is hashed over in rapid-fire style. You get the feeling these men have worked closely for years when you hear the terse questions, terse answers, all in an atmosphere as informal as that around a rotary luncheon.

The team's approach to a problem is always the same, whether it comes up around the afternoon conference table or over morning coffee in the cafeteria of the Commerce Dept. building.

One staffer outlines the problem. He and others suggest answers. Then someone asks a favorite Skuce question—"What's do-able?" Almost invariably that brings a quick agreement on a solution.

• **"We Can Do It"**—From Skuce down, the staff exudes confidence, confidence in each man's grasp of his specific job, in the correctness of that job and in the general competence of the group as a team.

This assurance shows in the calm, deliberate manner in which Skuce talks to visitors. He carefully pounds home each point, frequently with a jab of the inevitable cigarette or a tap on the desk with his rimless glasses. You can scarcely believe this man frequently sees as many as 50 visitors—mostly businessmen—a day and personally answers twice as many telephone calls.

He does it by living with the job 16 hours a day—taking phone calls at both the office and his hotel, eating three meals a day with business or government people.

It's a cardinal rule with the Skuce staff that no caller—regardless of what his business is—gets a complete brushoff. They are handed over to the proper NPA organization, even if it takes considerable time to track down the right one.

As a reporter who spent a day with the Skuce staff puts it, "Those boys are good, and they know it. But you don't mind because they're right."

take the "fright" out of freight with

Unicel

... the revolutionary new freight car
that

REDUCES FREIGHT DAMAGE!

Ordinary shipping hazards in conventional freight cars (not including fire, theft, improper refrigeration, etc.) were responsible for 54% of all freight damage in 1949—damage amounting to more than 61 million dollars.

Stronger, lighter, more durable than ordinary steel freight cars, UNICEL as a box or refrigerator car uses in its construction the latest developments in the modern science of cellular laminates. It carries bigger payloads, can be produced faster for less than any car now on the rails!

- Say "goodbye" to the high amount of freight-damage. Tests prove there is 66% less road shock with UNICEL than ordinary cars.
- say "goodbye" to excessive spoilage . . .
- to many difficulties in loading and unloading . . .
- to long labor in cleaning . . .
- to profits lost through damage when goods are shipped in ordinary cars!

UNICEL . . . designed by men who know railroading and by men who have studied thousands of cases of freight damage will give you . . .

GREATER CAPACITY because it is longer than the ordinary car.

EASIER LOADING because doors are wider, fork-lift trucks and pallets may be used. Built-in Unistrapping system enables shippers to tie down any kind of a load—securely, quickly and economically.

EASIER CLEANING because entire inside and outside is continuous and smooth without sharp corners, pockets or cracks.

MORE UNIFORM TEMPERATURE—UNITEMP, the refrigerated version of UNICEL, reduces condensation and dehydration to a minimum. An inner wall, insulation plus new refrigerating unit quickly convert UNICEL from box to refrigerator car. Heat can be provided during winter weather or in cold climates!

Get the whole story. Write for your copy of
"UNICEL—The Freight Car of the Future—Today"

Another "FIRST" for Pressed Steel Car

FIRST with the all steel hopper in 1897
FIRST with the all steel freight in 1914
FIRST again with UNICEL in 1950!



PRESSED STEEL CAR COMPANY, Inc.

6 No. Michigan Ave., Chicago, Ill.



1 FOOD



BEEF is controlled by two separate regulations that license slaughterers and give them quotas (DO-1) and set ceilings of wholesale (CPR-24), at retail (CPR-25), and on kosher meat (CPR-26). Consumer prices are supposed to be down 9% by fall.

PORK is technically under the General Ceiling Price Regulation—though it is free to rise at the packer and retail levels until the farm prices cross parity. OPS has a ceiling order ready that will be issued when the livestock price goes above parity to stay.

SEAFOOD is not covered at all and probably won't ever be because it is perishable.

CHICKENS & EGGS are also under GPCR though, like pork, they are still selling below parity and therefore have no specific ceilings yet.

MILK & BUTTERFAT are still selling a bit below their parity prices and OPS won't impose ceilings until those levels are reached at the farm.

2 FARM PRODUCTS



LIVESTOCK is exempt from price control so long as it stays in farmers' hands. Ceilings begin with the price the packer pays for beef, 34.20¢ a lb. for choice steers at Omaha or Denver. Contracts will go on hogs at the packer level, too, when the price on the farm reaches parity.

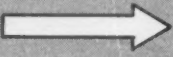
COTTON is covered by its own special order (CPR-8) which puts a ceiling of 45.76¢ a lb. on white and extra-white middling, with differentials for various grades and markets. Cotton futures have a

ceiling of 45.39¢ (CPR-8, Suppl. Reg.-1). Extra long staple grown outside the U.S. is exempt (GCPR Amend. 9).

HIDES were called back in price last January to their November, 1950, high (CPR-2); now they are under dollars-and-cents ceilings ranging from 28 1/2¢ to 37 1/2¢ a lb., depending on grade and type (CPR-2, Rev. 1).

FATS & OILS both crude and refined are under a special order

3 INDUSTRIAL MATERIALS



STEEL in ingot form is subject to (CPR-22) which limits prices to pre-Korea levels adjusted for labor and material cost increases. Forgings, stampings, plates, bars, and fabricated structural shapes are covered by the machinery order (CPR-30) which allows only direct cost increases over pre-Korean prices.

SCRAP IRON is covered by a special order (CPR-5) which rolled prices back to \$44 a ton for No. 1 heavy melting at Pittsburgh. The regulation also set differentials for 41 basing points and for other grades and states of preparation; tie-in sales are prohibited.

NON-FERROUS METALS primary and scrap, are governed by CPR-22.

COAL at the producer level is covered by special orders for Pennsylvania anthracite (CPR-4) and all other types (CPR-3); these permit adding the cost of recent wage

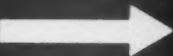
increases to January freeze prices. Retailers can adjust their prices to reflect the producers' increases.

COKE and coal chemicals and even gas are covered by amendments to GPCR (Reg.-13) which permit adjustments for materials cost increases, subject to this limit: Gross profit margins on coal processed to June 30, 1951, may not exceed the 1950 average.

PETROLEUM is subject to its own order (CPR-32) which sets ceilings on crude at the price prevailing on Jan. 25. Gasoline dealers may apply a 4¢ a gallon mark-up to tank-wagon prices (CPR-13). Wholesalers of crude and natural gas are bound by GPCR to keep prices at the January freeze level, though machinery has been set up to handle hardship cases.

LUMBER is still under GPCR, though stumpage has been decontrolled. An order covering prices mills can pay for logs as

4 CONSUMER GOODS



AUTOMOBILES are covered by the first mandatory price order that was issued (CPR-1). This freezes prices at the Dec. 1 level. In March, producers were permitted to increase prices 3.5% (Amend.-1), but retailers can add only the dollars and cents amount to their selling prices; they cannot increase their markup. Used cars cannot be sold for more than the prices listed in designated industry guides (GCPR, Suppl. Reg.-5).

SMALL APPLIANCES are subject to CPR-22 and at retail to the consumer goods markup regulation (CPR-7).

WASHERS & REFRIGERATORS are covered by CPR-22 at the manufacturers level, by GPCR at wholesale and retail. Eventually OPS hopes to put them under dollars-and-cents ceilings, pre-ticketed at the plant.

5 SERVICES



PROFESSIONAL FEES of doctors, lawyers, engineers, and accountants are specifically exempted from ceilings by GPCR.

UTILITIES AND TRANSPORTATION RATES are exempt from price ceilings under GPCR since government rate-making bodies control them.

RENTS are not subject to OPS jurisdiction.

PUBLICATION PRICES are specifically exempt from regulation under GPCR.

RESTAURANTS are subject to a specially-tailored order (CPR-11) which permits eating-places to ad-

Price Controls Blanket Almost All Industry

The Office of Price Stabilization got off to a slow start in comparison with the other defense agencies. At the start of 1951—six months after Korea—it was still shuffling its feet and talking about voluntary standards.

But since the end of January, OPS has been cranking out the orders as though Price Stabilizer Mike DiSalle were paid on a piecework basis. In the

BREAD is still free to rise under GCPR since neither wheat nor rye have yet risen above the parity price.

PROCESSED FOODS are covered by three orders which prescribe the markups dealers may apply at wholesale (CPR-14) and by retail stores of various sizes and kinds (CPR-15 and CPR-16).

SUGAR is exempt from all price controls since the price set by the major

producers—in Cuba—hasn't under OPS control.

SHORTENING & SALAD OILS were rolled back in March and put under dollars and cents ceilings (CPR-Amend. 1).

(CPR-6) which covers corn, soybean and cottonseed oil.

FEED is free of all ceilings right now because corn, wheat and oats are still selling below parity.

WOOL is now under a ceiling (CPR-35) of \$3.35 a lb., landed in the U.S.; clean, for type "645"—an average basic grade; that's around 65% above the pre-Korean price but 10% below the January freeze level. For better types, the ceiling price

goes over \$4 a lb. (and there are differentials for mohair and alpaca, too).

TOBACCO has always been under a kind of price control administered by the agriculture dept. through its support program. Since the support price is below parity, tobacco actually is still under GCPR. Cigarettes and cigars were exempted from the manufacturers' order (CPR-22); they get the traditional mark-ups over the farm price.

well as wholesale and retail prices is now in the works.

BUILDING MATERIALS are subject to ceilings prescribed by the general manufacturers order (CPR-22). At retail, they are still under GCPR.

MACHINERY is covered by its own special order (CPR-30) which also covers machine tools and all commercial electrical equipment.

CHEMICAL, TEXTILES, PAPER & RUBBER PRODUCTS are covered by CPR-22 and GCPR.

PULP from the Great Lakes and western producing areas is still under GCPR, pending perfection of specially-tailored orders. Northeast pulpwood, however, has already been taken out from under the general freeze and put under its own regulation (CPR-38); the order permits price increases reflecting increased labor and stumpage costs.

RUBBER, sold solely by the government's General Services Administration, is subject to GCPR; ceiling price for No. 1 smoked sheet is 46¢ a lb.

SULFUR & MOST CHEMICALS are covered by GCPR.

TUNGSTEN & PRODUCTS are now subject to dollars-and-cents ceiling prices prescribed by a special OPS order (CPR-33). New ceiling on standard grade ferrotungsten, in lots of 10,000 pounds or more, is \$5 a pound—up from the recent \$3.25.

RECONDITIONED STEEL DRUMS have been put under a ceiling (CPR-36) that rolls prices back to \$4 apiece for the 40-58 gallon size, delivered within 30 miles of a reconditioner's plant.

FURNITURE is covered by CPR-22; at retail it is subject to CPR-7. A special order that will take it out from under CPR-22 is now in the works.

CARPETS are still subject to GCPR at the manufacturers' level, but a special order (Suppl. Reg.-11) permits a 15% rise over January freeze levels. CPR-7 governs prices at retail.

FURS, CLOTHING, LEATHER GOODS, & JEWELRY are also covered by CPR-22 and CPR-7.

COSMETICS are subject to GCPR at the manufacturers and the retailers' levels.

just menu prices to maintain pre-Korean percentage margins on food and liquor costs.

FINANCIAL AND PRINTING COSTS are exempt from ceilings under GCPR and GOR-8, amendment number one. Advertising printed on paper articles serving some other purpose than advertising alone—containers,

labels, book matches, etc.—is still subject to freeze-period ceilings under GCPR.

PERSONAL SERVICES—amusements, parking, laundry, barbering and beauty—are frozen at their May 16 levels by a recent special order (CPR-34).

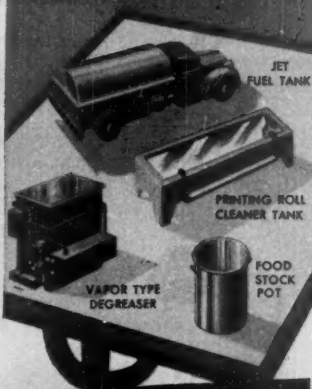
torrent of regulations, most businessmen—and many government officials—have lost track of what covers what.

The tabulation above shows that price controls of one sort or another now cover almost everything—with the notable exception of farm products still selling below parity. Almost any item that doesn't have a specific regulation of its own is covered by the catch-all

General Ceiling Price Regulation (GCPR).

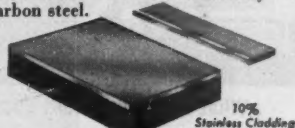
You have to remember, though, that most of the OPS orders are flexible drags on price increases, not inviolable ceilings. In general, manufacturers can pass on part—but not all—of their cost increases. Retailers can mark up prices to cover cost increases, but can't raise their margins.

INCREASE SALES by IMPROVING YOUR PRODUCTS AT LOW COST



Design Around
PERMACLAD
Stainless Clad Steel

Now you can give your products and equipment corrosion resistance where corrosion resistance is needed, with minimum consumption of critically short materials. PERMACLAD Stainless Clad Steel makes this possible. It is stainless steel (usually 10% or 20% but can be varied) inseparably welded to mild carbon steel. PERMACLAD has the surface characteristics of stainless and the formability of carbon steel.



It will pay you to get complete information about PERMACLAD and learn how your products can be improved at low cost. Write today for information and a copy of PERMACLAD folder DD.

For Better Products At Low Cost
Specify **PERMACLAD**

PERMACLAD
STAINLESS CLAD STEEL

ALAN WOOD STEEL COMPANY
CONHOHOCKET, PA.

125 Years of Iron and
Steel Making Experience

Other Products: A. W. ALGER Abrasive Floor
Plates • A. W. SUPER-DIAMOND Floor Plates
Plates • Shafts • Slips • (Alloy and Special Grades)



*It all began
with a key...and*

HERE'S WHAT

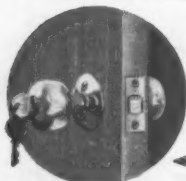


What does your front door say about you?

Guests get their first impression of your home from your front door. That's why Yale & Towne designers give special attention to the decorative value of hardware...keeping it in harmony with modern architectural styles...Today, as for generations past, the name Yale on locks and hardware is "the sign of a well-built home."

ILLUSTRATED IS YALE HANDLE SET →

Its attractive design identifies this as a Yale Handle Set. And that means quality construction...Yale security and smoothness of operation year after year.



← ILLUSTRATED IS YALE HOME DUTY TUBULAR LOCK

This new key-in-knob lock combines smart appearance with rugged durability...and saves on building costs, too! Can be installed in about a minute after holes are bored.



Night and day, Yale & Towne products are serving you and serving America

As YOU STEP through a door you turn a key...twist a knob...a smooth-working closer shuts the door without slamming. Well known to you are the three Yale & Towne products which have played their parts.

But you may not realize that this company, famous for fine locks and hardware, makes many types of mobile equipment for lifting, moving and stacking.

Rugged industrial trucks...hand and electric hoists...equipment that speeds production...aids defense...while helping to feed, clothe and shelter our nation and our friends all over the world.



ILLUSTRATED IS YALE "STUBBY" WORKSAVER

TIGHT SPOTS ARE "STUBBY'S" DISH

You'll see big smiles on workers' faces and big savings in handling costs when the Yale "Stubby" Worksaver takes over. It's specially designed for carrying loads through narrow aisles or in boxcars and highway trucks. Although it's shorter, lighter and squeezes in where large trucks can't operate, there's no sacrifice of strength in this Yale Worksaver. Users report superior operating ease and economy—thanks to exclusive Yale features.



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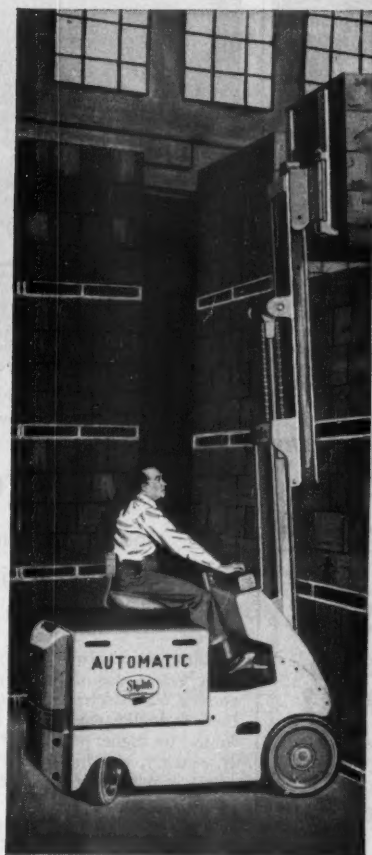
Helping a size 12 woman do a man-size job

Uncle Sam's call for stepped-up defense production is being answered by women workers—and by labor-aiding equipment like the Yale Hoist shown. Easily carried, this lightweight aluminum hoist is rugged...lifts up to two tons without strain. Its efficiency, simplicity of operation and patented safety features account for its wide use in numerous plants.

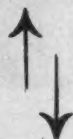


The key to quality luggage

People often judge you by the appearance of your luggage. But there are other reasons why fine luggage is a smart investment. You'll find it's better constructed...yes, and locks more securely, too. Leading makers of luggage are always quality-minded...and Yale is their choice for superior luggage locks.



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TO THE CEILING



TO BRING
DOWN COSTS!

Warehouse space is valuable—and an Automatic Skylift Electric Truck lets you convert "air space" to storage space. Stacks loads ceiling high, operates in narrow aisles and in confined areas. But space saving is only one advantage these rugged trucks deliver. By eliminating backbreaking toil, cutting down accidents and breakage, they save 50% to 75% on materials handling costs.

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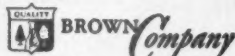
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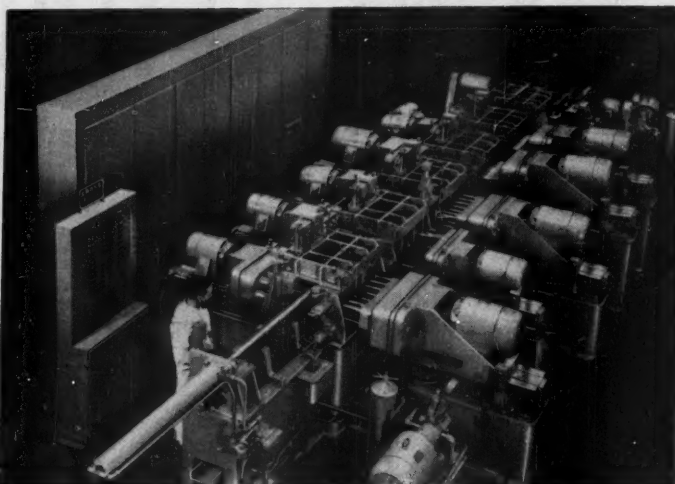
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PRODUCTION



TRANSFER MACHINES automatically move the work piece to each machining station, saving labor. This Cross Co. model handles cylinder heads for 90 different operations.

More Automatic Controls

Industry is turning more and more to devices that speed up production and give greater accuracy. Survey shows how the trend varies in 10 major industries.

Automatic controls are going to play a big part in engineering design for the coming era. Electronic, pneumatic, and even hydraulic devices are satisfying a hunger for higher productivity and greater accuracy, whether for cutting metals or processing chemicals. These fabricated brains can move and think faster than the human being. They make it possible to do things that have never been done before.

The switch to automatics is the most striking trend that appears in a special survey of engineering design trends in basic industries, conducted by Product Engineering, a McGraw-Hill publication. Here's a summary of what is going on in 10 of the industries:

I. Machine Tools

Even the layman can see that machining operations are getting faster. The push comes from two directions: (1) automatic handling of the work piece between operations, and (2) higher cutting speeds.

Transfer machines do the old hand job of moving the work piece to each new machining station, loading and unloading it at each point. The transfer machine loads the piece at one end,

passes to as many as a dozen or more operations like drilling, reaming, tapping, counterboring, and honing. Some transfer machines move the piece in a straight line to each machining head. Others do it in merry-go-round fashion, where the piece returns to its starting point at the end of the cycle.

During World War II, aircraft engine makers snapped up in-line transfer machines for cylinder manufacture. Since then the automotive industry has latched onto them for machining engine cylinder blocks and heads (picture).

Automatic loading and unloading devices are gaining wider acceptance. This is stepping up production, but it is also a potential source of labor trouble. With automatic equipment it's the machine rather than the operator that sets the pace. And the workman doesn't like losing control of his output.

• **Faster Cutting**—Metal cutting itself is being speeded up (BW—Jan. 13 '51, p64). Machinability studies at Ford Motor Co. and Curtiss-Wright Corp., sponsored by the Air Force, showed that a metal's metallurgical structure, not its chemical composition, governs speed of machining. Putting the theory to work, Ford cut down machining time on one part by

70%. In other cases speeds have been jacked up five to 10 times. A new day for heat treating may arise from these metallurgy revelations.

II. Chemical Industry

Higher pressures and temperatures are the order of the day in chemical processing. Certain chemicals just can't be made without high pressures; others are produced more efficiently. Biggest high pressure operation today is polymerizing ethylene to make polyethylene plastic. A du Pont plant is operating at 50,000 psi.

Higher pressures are forcing engineers to scurry about for stronger vessels, sturdier materials, better gasketing and valves. The higher pressures often bring with them higher temperatures. Fused zirconia refractories look good for temperatures from 4,000F to 4,600F.

III. Coal Mining Equipment

Look for automatic mining machines to get increased usage. The present mining technique is to undercut, drill, blast, and load. Mining machines cut the coal out of the seam, place it on a conveyor, and load it on cars.

A dozen machines are in the works; three are in use. Of these one looks like a loader, has cutting or boring tools on one end, with equipment for picking up and moving the coal. The second is just a big auger. The auger itself comes in diameters of 2 ft. to 5 ft. and in 6-ft. sections. Augers have been built up to 180-ft. and 190-ft. lengths, and worked well. The third machine, a planer type, is at work in Europe, but not in this country. Its cutter shaves the coal from the seam face.

IV. Railroadings

Railroad men favor electrically driven trains because they have high starting power (get the train moving quickly). Also electrical equipment is easy to maintain. Diesel-electrics are the darlings of most railroad men right at this time. But you still can't discount other powerplant forms than diesels to generate the electricity.

Oil- and gas-fired gas turbines are well along. Westinghouse's oil-fired turbine is powering a Pennsylvania locomotive in experimental runs. Allis-Chalmers has completed its coal-fired job, but it hasn't been installed yet. B&O is pleased with its three steam-turbine electric locomotives; they've been in passenger service for a while. However, the steam jobs are expensive and take some time to generate a high enough head of steam.

V. Power Generation

The dream project in the power industry is to use nuclear reactors as stationary powerplants. Work in exactly this direction has been sidetracked for the dura-

tion. But military needs are putting great pressure behind mobile powerplants for ships and airplanes. The Atomic Energy Commission has a breeder reactor operating in Idaho, and there's some talk of getting it to generate electricity as a by-product. Fairchild Engine & Airplane Corp. recently completed an AEC contract for preliminary design of a plane reactor; General Electric will carry on with final design and construction of the atomic powerplant. Westinghouse is moving along on nuclear power for submarines; it's no more than a couple of years away. GE's submarine engine is not so far along.

VI. Construction Equipment

The biggest thing in off-the-road vehicles, since the switch from gasoline to diesel engines, is LeTourneau's Tournatow, dubbed the "electric wheel." Its diesel engine drives an electric generator that powers individual a.c. motors at each wheel. The motors drive the wheels through gear trains.

There's also a trend toward small machines to do what used to be manual jobs. Contractors can get portable cranes, front end loaders for trucks, machines for back-filling trenches, and air-powered portable tools. Versatile machines are emerging for general purpose work. Concrete mixers, with portable hoists or movable booms, deliver cement across excavations or to higher levels.

VII. Food Industry

The food field is about where chemical manufacture was 15 years ago—just starting to switch from batch to continuous processing. Bakeries are a case in point. They used to get ingredients in bags and cans, then unload and store them. Materials were mixed, put in pans, and loaded in the oven. Later the bread was sliced and wrapped. The modern bakery does this all automatically.

VIII. Textile Machinery

Synthetic materials, such as Nylon, Dacron, Orlon, and rayon, are forcing spinning mills to go to universal machines, ones that will handle a wide range of fiber lengths. Mills used to have, say, one type of machine to spin cotton, which comes in 2-in. fibers, another for wool, and still a third for mohair. Now universal machines handle both natural and synthetic fibers of almost any length.

The textile industry is borrowing a leaf from metalworking for drying operations. Du Pont is developing radio frequency waves or dielectric heating to dry rayon as in induction heat-treating of metallic parts.

IX. Aviation

Gas turbines for airplanes are getting more powerful and will be propelling planes at a faster clip. The 5,000-lb.

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thrust turbines of today will give way to 10,000-lb. units within a few years. Four-engine bombers of tomorrow are going to have more power than a destroyer, eight diesel locomotives, or 400 autos.

The industry is still researching the ram jet. The "flying stovepipe" has no moving parts and can reach speeds of 2400 mph. Right now the ram jet is slated for pilotless aircraft.

X. Automobiles

Bigger engines and automatic transmissions get the spotlight in Detroit. Horsepower, like the cost of living, seems to be off on a tear. Chrysler's new V-8 develops 180 hp. officially. GM's experimental Le Sabre packs a 300-hp. engine under its hood. Such a behemoth isn't due in the next year or so, but it's coming.

It's a cinch the power rise via the high compression route is going to slow up. Oil companies say it's too costly to re-

fine fuels of much higher octane than those of today (BW—May 5'51, p42). So the burden of getting the higher power output will be shifted to the engine designer. You should look for bigger cylinder bores, shorter piston strokes, and larger valves.

Automatic transmissions are getting a big play. All the big-selling cars, except Plymouth, now offer them. Heart of most new self-shifting transmissions is the torque converter, a split doughnut-shaped device with blades inside. Fill it with oil and it does a smoother job than an old-fashioned gear box. But auto makers aren't convinced torque converter designs, like Ford-O-Matic, Buick's Dynaflo, and Packard's Ultramatic are the last word.

For the less expensive cars, it may be wiser to use a hydraulic or electrical friction clutch that gives automatic shifting, without the converter's torque multiplication.

Imported Ore via Baltimore

B&O R.R. opens \$5-million unloading docks in Maryland for iron, manganese, and chrome ores from abroad.

More and more foreign ores are being fed into U. S. open hearths and blast furnaces. Iron, manganese, and chrome ores are pouring into the country from Liberia, Venezuela, and other places. And a large part of it is going to come through the port of Baltimore.

The Baltimore & Ohio R.R. is largely responsible, thanks to its new \$5-million ore handling pier. The newly opened installation will enable ore carriers to unload at the Maryland port for the first time.

B&O's facilities can unload a 30,000-ton modern ore boat in 24 hr. That means that 500 railroad cars a day can be loaded or one car every 2 min., 53 sec.

• **Bucket and Belt**—Key to the pier's high-speed efficiency is the coordinated unloading equipment installed by Dravo Corp. Two giant clam bucket unloaders scoop the ore from the holds of the ships and drop it onto a 1,812-ft. belt conveyor. This carries the ore—at 400 ft. per minute—up an incline to a scale house where the ore is automatically weighed. The ore is then dropped into railroad cars that are waiting directly underneath.

The whole operation is electrically controlled.

• **How It Works**—Unlike the Hulett unloaders used on the Great Lakes, the Baltimore unloaders have their controls located in the overhead trolley. (The Hulett controls are in the scoop itself.) The Baltimore trolley is designed to handle buckets of three different sizes—either 200 cu. ft., 120 cu. ft., or 60 cu. ft.

The smaller buckets are used for unloading tramp steamers with limited hatch openings or when special conditions require them. The largest bucket lifts 15 tons of ore. It is geared to operate at an average unloading cycle of 45 sec. from the ship's hold to the shore-side hopper. That means that, with ore weighing 150 lb per cu. ft., unloading proceeds at a rate of 1,200 tons an hour.

The receiving hopper in turn automatically feeds ore onto the conveyor belt, at a rate that can range from 665 tons to 1,330 tons per hour. A special arrangement of chutes, skirts, and fingers causes the finer ore to reach the belt first and thus provide a bed for the large lumps arriving later.

The conveyor belt is 4 ft. wide and has a sustained capacity of 2,000 tons an hour.

• **Why Baltimore?**—The idea for the new docks came up about two years ago when the discovery of high-grade iron ore at Cerro Bolivar, Venezuela, was announced. Because of its near rail distance to eastern steel mills, Baltimore was picked as a likely port to handle shipments of the new ore.

B&O's engineering department surveyed the whole harbor for a likely site for a pier, finally decided on Stone House Cove.

This particular location had three things in its favor: (1) It's near B&O's coal unloading pier at Curtis Bay; (2) it required less dredging than any other site; and (3) it has room for expanding dock and ore rig capacity and for adding more track.



Cross-country Relay

One of the things you take for granted is being able to 'phone great distances and have your voice heard crisp and clear at the other end. Knowing how sound diminishes with distance even over electric cable, haven't you often wondered how and why?

The reason is that your voice is given many fresh starts... boosted to keep it at a clear transmission level... at relay amplifying stations located cross-country about every 30 miles.

These relay stations are entirely automatic in operation. When the first words spoken reach the first relay station, they are intercepted by a tiny SENSITROL® relay. *Instantly and automatically* this relay measures the voice signal... and determines and controls the amount of amplification necessary for clarity. Thus

your voice is kept at the proper transmission level, from station to station, *all along the line.*

The wonder is that no power source other than the minute incoming voice signal is required to operate these ultra-sensitive relays. They are capable of providing positive operation or control on values as low as $\frac{1}{4}$ microampere (one-quarter of one-millionth part of one ampere). Yet they can handle up to 12 watts on their positive magnetic contacts.

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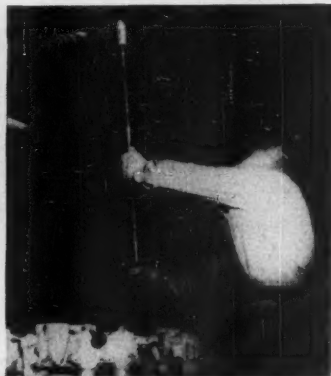
Mechanized Mining Changes Everything



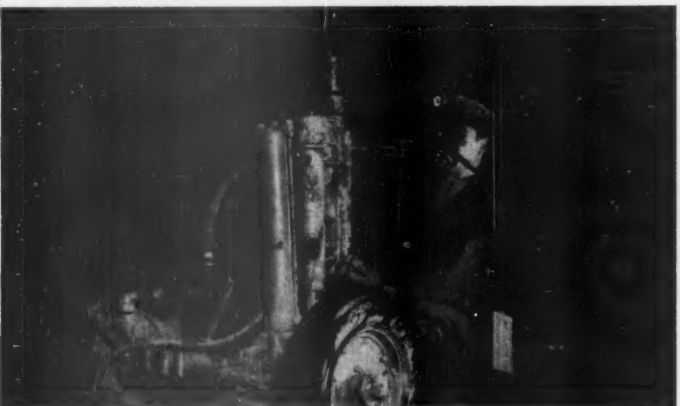
1 The diesel-motor hauler, like continuous mining machines, moves coal faster than hand methods. Mine operators must dig their seams deeper for more efficient operation.



2 Better roof supports are the answer to deeper seams. Drilling a hole through the roof for bolt supports is latest method.



3 The bolt goes up through the sandwiched layers of the roof. A wedge at the top of bolt holds it fast to upper layer.



4 A screw and a plate hold the bolt against the face of the roof. Here an operator tightens the screw with a machine.

Mine operators find new machines set up problems all down the line. At Cleveland show they see some solutions.

For the past several years, mining operations in the coal industry have been going through a radical transition—a change from the pick-and-shovel methods of the old days to the mechanized mine of the near future.

New machines that dig, load, and haul coal have forced mine operators to alter their thinking on mining itself. Not only can new equipment revolutionize a particular operation, but it can change the complexion of countless other related steps. In short, mechanization is gradually redrawing the whole picture of mining as it is today.

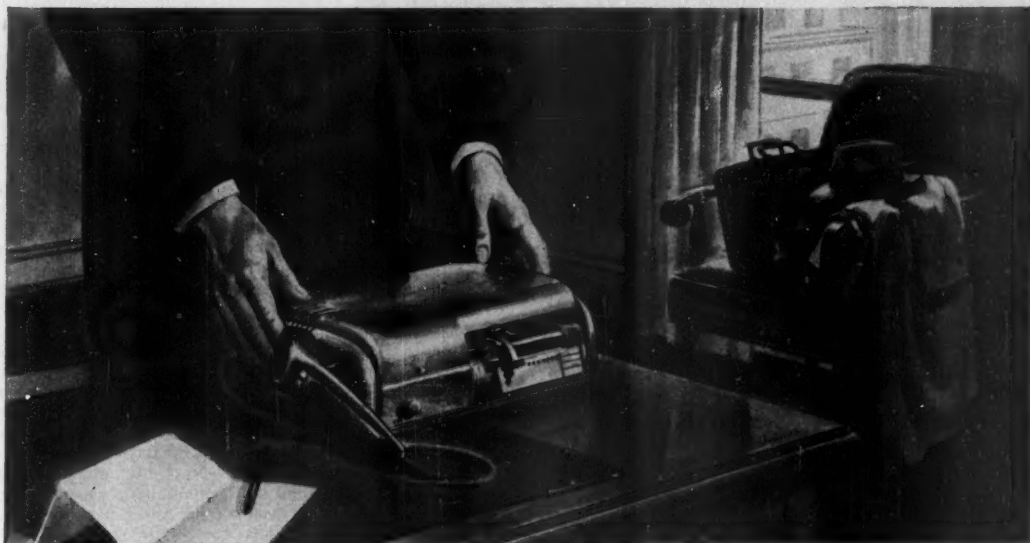
• **Exhibits**—Last week at the Coal Show and Mining Congress in Cleveland, coal industry men got a look at some of the equipment that is shaping their future. Among the exhibits was a new flame-proof diesel motor developed by National Mines Service Co. Designed to replace the electric hauler, the motor has been on the industry's "around the corner" list for a long time.

The main trick of the motor is a built-in unit that eliminates exhaust fumes in a mine. Even more important, though, the motor doesn't need accessories—the trolley wires and power generators—that electric motors have to have.

• **Problems**—All this new equipment, though a blessing to the industry, is not without drawbacks. Continuous mining machines, also on exhibit at the show have already created new problems. The main reason is that the machines produce a steady flow of coal from the working face of a seam. That means hand loading is just about out. It also means that it is economical to dig a coal seam considerably farther than the 300 ft. that is more or less standard for hand operations. Then, too, the longer a continuous miner is used, the more efficient is the mining operation. So the operators are driving their seams as deep as 450 ft.

• **Roofing**—As the seams get deeper, supports for the roof must be stronger and more dependable. Lately, mining companies have been installing a new type of roof support (pictures, left) that outmodes the old timber construction. The roof, which is a sandwich of rock, shale, and earth layers, is tied together by a long bolted rod. The rod is pushed into a hole drilled up through the roof and is anchored at the end of the hole by a wedge or an expanding sleeve. A

"this is my lightweight traveling companion"



What was once a heavy piece of office equipment has now become a lightweight cross-country traveler. Dictating machines travel along with business men these days. That means they must be light, as well as rugged.

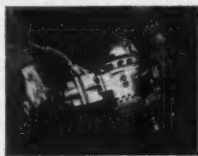
To get this combination of durability plus maximum lightness, manufacturers of dictating equipment are using magnesium die castings. As

a result, today's dictating machines incorporate several new features and still weigh appreciably less than previous models.

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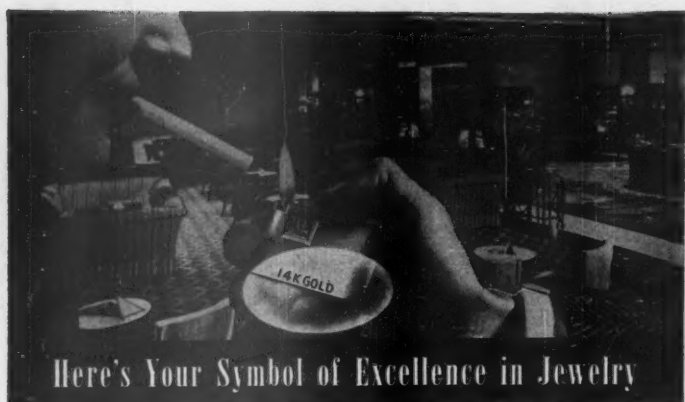
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Photo courtesy,
Lockheed Aircraft Corp.,
Burbank, Calif.

bolt, tightened against the face of the roof, holds the rod fast.

Pittsburgh Consolidation Coal Co. has already replaced timbering in its Kentucky mines with roof bolting. One industry expert predicts that bolting will go into 50% of the nation's mines in the next few years.

• **Dirtier Coal**—Another side effect of mechanized equipment is that it cannot produce so clean a coal as hand mining. A continuous miner bites into a big part of a seam, digs out coal, rock, sulfur balls, and bones, which are all loaded into mine cars together.

Not long ago, when operators were skimming the cream from the coal-seam crop, the refuse that wasn't hand-picked from the coal was easily caught during the final coal washing operation.

Today many operators are trying to produce premium coal from seams of poor quality. The low-grade seams have less coal and more refuse. And to separate the two, operators are turning to the heavy media process, floating the mined stuff in a liquid of a certain density, which settles the refuse out and leaves the coal for recovery.

• **Research**—Next to finding ways to mine coal better and cheaper, one of the most popular subjects at the Mining Congress was the role of research in looking for more uses for coal. Through new developments, G. D. Creelman, director of research for M. A. Hanna Co., predicted that coal will recapture some of the ground that it has lost to the diesels on railroads. Improved steam locomotives and the coal-fired gas turbine are undergoing tests for future commercial applications. Creelman also says that coal is winning its battle of production costs. There will be cheaper coal in the future because of mechanization, while competitive fuels are certain to face rising costs.

Helium Strengthens Aluminum Welds

Despite its wide use, aluminum for years has defied the experts on one score: When it's welded by an electric arc, the bond isn't strong enough to suit the metals fabricators.

The trouble is that, metallurgically, aluminum is too active. When it comes in contact with the atmosphere it covers itself with a protective coating of aluminum oxide, a compound that's inert to most chemical reactions. When two pieces of aluminum are welded together, the oxide interferes. The result is a joint that's not more than 20% stronger than the aluminum sheet itself (it should be 100% stronger).

• **Advance**—Last week aluminum welding came a step closer to the standards of the fabricators. The New York Naval



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GENERAL  **ELECTRIC**

Ship Yard, Brooklyn, announced that it was successfully welding aluminum sheet under a process developed by Air Reduction Laboratories, Murray Hill, N. J.

In this technique the electric arc that bonds the metal together works in a small cloud of helium gas. The gas keeps out the surrounding atmosphere and prevents the formation of the troublesome aluminum oxide.

• **With a Pistol**—The job is done with a device that resembles an automatic pistol. During the welding it simultaneously feeds helium gas and a filler of aluminum wire onto the seam.

At the Brooklyn Yard an aluminum mast for the radar antenna of a destroyer was welded by this method. X-ray inspections showed that the seams were twice as strong as is usual for aluminum welding. And the mast was two-thirds lighter than a conventional steel type.

PRODUCTION BRIEFS

Byproduct sources, plus marginal supplies, could end the sulfur shortage, but not without a price increase, according to the American Institute of Mining & Metallurgical Engineers. Byproduct output alone could go up from 860,000 to about 3-million tons annually to satisfy the demand.

• A poor man's electronic computer is being marketed by Computer Corp. of America for less than \$8,000. It's about the size of a four-drawer filing cabinet. Its sales drive will be aimed at small business, engineering consultants, research laboratories.

• Castings capacity at National Malleable & Steel Castings Co. is being boosted 25% at a cost of \$6.3-million. The larger part of the expansion is slated for malleable iron facilities.

• A group of refractories firms—forty in all—have formed a trade association, called the Refractories Institute, to stimulate research and promote demand for their products.

• A dust collector, designed by Battelle Memorial Institute, tells the directions from which large quantities of air-borne dirt originate. Air pollution authorities can thus analyze an area's dirt sources. Manufacturing rights have been turned over to Eberbach & Son Co., Ann Arbor, Mich.

• Back to pistons—Chevrolet's Tonawanda (N.Y.) plant was originally to have made jet engines, based on Allison designs. But the Air Force canceled the contract, replaced it with one for Wright R-3350 piston jobs.

NEW PRODUCTS



A Test for Uranium

When the modern-day prospector gets a click on his Geiger counter, it doesn't necessarily mean uranium; it could be any of 50 other radioactive minerals. Menlo Research Laboratory now makes a pocket-size test kit that identifies uranium at a glance.

The kit contains testing chemicals, a 2,000F blowtorch, solid fire tablets, and special wires and tongs for forming and holding the material. To make a test, you use the wires to form a chemical bead that fuses with crushed ore particles when heated. Then you examine the fused bead under ultraviolet light. (Menlo makes a portable ultraviolet instrument with a built-in dark chamber, but it's not included in the kit.) If the ore is uranium, it fluoresces a distinctive lemon-yellow color. The test takes about 5 min.

Menlo says you can make from 25 to 30 tests from a single kit. All parts are standard and are individually replaceable.

- Source: Menlo Research Laboratory, Menlo Park, Calif
- Price: \$4.95.

Versatile Amplifier

Some automatic or servo-control systems use amplifiers to increase the strength of electrical signals. Faced with the problem of finding an amplifier adaptable to the electrical system, engineers generally have it custom-designed or rejigger a unit designed for another job. Now Industrial Control Co. has a packaged amplifier unit that can be adapted to many control systems.

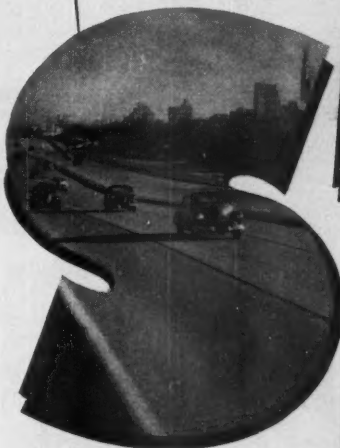
The company says its "universal" unit, designated 410-B, requires no extra plug-in packages or assemblies for different setups. It has controls for the three signals used in servo systems: gain,



NORTH • SOUTH
EAST • WEST

CONCRETE

makes
America strong

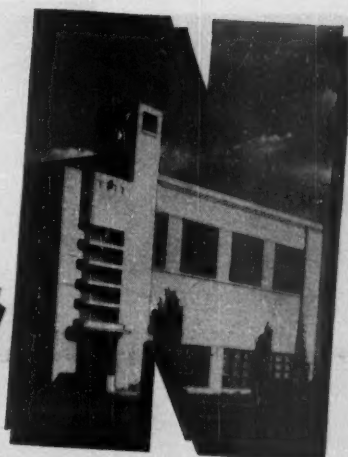


IN PAVEMENTS vital to our national defense in roads, streets and airport runways concrete is safer, needs less maintenance, serves longer.

IN HOMES of any size or style concrete combines distinctive charm, low annual cost, fire-safety and comfort the year around for American families.



IN FARM IMPROVEMENTS that help farmers produce more food supplies for the nation and its allies. Concrete farm buildings and improvements give long, economical service. They resist storms, termites, rats, rot and fire. They save feed and labor, protect animal health.



IN STRUCTURES like schools, factories, hospitals, public buildings. Concrete provides maximum firesafety, rugged strength, economy and beauty.



PORTLAND CEMENT ASSOCIATION

33 W. Grand Avenue, Chicago 10, Illinois

A national organization to improve and extend the uses of portland cement and concrete . . . through scientific research and engineering field work



What makes the furnace watchman come clean?

...A brush! The problem was in the manufacture of the bimetal strip that actuates furnace thermostats. Formerly this strip was pickled to remove annealing scale. But pickling is an expensive, disagreeable operation.

Osborn power brushing took this job out of its "pickle." Now the strip is cleaned by feeding it between two sets of rotating Osborn wire wheel brushes. The equipment is compact, neat and safe, and it operates speedily, at low cost. The strip emerges sparkling clean... uniformly smooth.

Find out how you can improve the cleaning and finishing of your products with new Osborn brushes and brushing techniques. An Osborn Brushing Analyst will gladly survey your plant and make suggestions. Call or write The Osborn Manufacturing Company, Dept. 503, 5401 Hamilton Avenue, Cleveland 14, Ohio.



**LOOK FOR THE NAME OSBORN... RECOGNIZED EVERYWHERE
FOR QUALITY WORKMANSHIP AND MATERIALS**

carrier phase shift, and damping. By making independent adjustments, you can get the best performance in each setup. The amplifier operates on 60 cycles, can drive a 5-w. motor. Companion power supplies and modulators are optional equipment.

• Source: Industrial Control Co., 1462 Undercliff Ave., New York, N. Y.

• Price: About \$300.

Labels at 3,000 an Hour

New Jersey Machine Corp.'s model 86-TO Label-Dri attaches labels individually to books, parcels, samples, or cartons at a rate of up to 3,000 an hour.

A continuous list of labels, arranged in fanfold strips, moves on a pinwheel roll feed. The machine cuts the label off the strip, then heats a thermoplastic coating on the back to make it stick. As the item to be labeled arrives at the machine on a conveyor feed, the unit attaches the label, positioning it in the same place on each package.

You don't need any manual labor except to keep the infeed conveyor supplied and to remove the finished work. The unit has an adjustable cutoff mechanism; it can handle items ranging from ring boxes to magazines.

• Source: New Jersey Machine Co., 16th St. and Willow Ave., Hoboken, N. J.

• Price: About \$6,000.

Automatic Stills for Labs

Laboratory distillation is a costly process for petroleum companies and a tedious one for their lab technicians. For every few test stills in the lab, you need a technician to observe constantly volume, time, and temperature, and to note the data to plot a record chart later. Precision Scientific Co. thinks its automatic distillation apparatus will ease the ordeal. The unit:

- Records the volume, time, and temperature on a single chart, plotting temperature and volume continuously, recording time every two minutes.

- Controls the rate electronically, within limits of from 4.5 cc. per min. to 9.0 cc.

To run the unit, the operator places the sample flask, positions a new chart, and makes one dial adjustment; later he removes the chart. One operator can handle about 10 automatic stills, according to the company.

The setup performs ASTM (American Society for Testing Materials) tests for distillation of gasoline, naphtha, kerosene, lacquer solvents, and plant spray oils. The company says the unit's dimensions conform to ASTM standards. Custom-built, the apparatus varies in price.

• Source: Precision Scientific Co., 3737 W. Cortland St., Chicago.

NEW PRODUCTS BRIEFS

More strength for its weight is the claim for a fabric called Fiberthin. The waterproof material weighs 5 oz. a sq. yd., has a tear strength of nearly 22 lb. U. S. Rubber Co., Rockefeller Center, New York City, makes it by combining nylon fiber and plastic.

A tonnage indicator of National Machinery Co., Tiffin, Ohio, tells you how many pounds of pressure it takes to make a forging. Welded to the bed-frame of the company's forging presses, the dial translates the "squeeze"—or deflection under load—into a reading in tons. It's said to be accurate to within 5%.

Touch and Go, an ink and stain remover, comes in a perforated applicator. Fluid flows directly on the spot or stain, so you don't have to dampen a cloth and daub. Manufactured by Gregory Fount-O-Ink Co., 3501 Eagle Rock Blvd., Los Angeles, Calif., Touch and Go retails for 35¢.

A record-card holder made by Air Center, Inc., Youngstown, Ohio, has a rotating base and houses three separate, removable sections. Each section of the all-metal unit holds up to 1,000 standard-size record cards, loose-leaf style. Called Flexifile, the holder takes a 2½-ft. area of desk space.

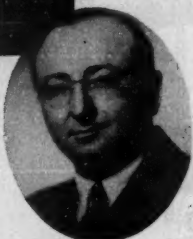


Got a Stapler With You?

When you take the top off what looks like a fountain pen (left), you find a pocket-size stapler. To work it, you place your thumb on the stapler head, your forefinger under the bottom plate. Then slip the papers in between, and squeeze. The stapler, called Duo-Fast, will clip as many as 16 sheets, says its maker, Fastener Corp., Franklin Park, Ill.



"We are especially aware of the importance of increasing job effectiveness through use of superior equipment. And with Remington Electric-conomy Typewriters we find that we are increasing typing production by 25% ... boosting operator morale ... and giving our typewritten material a new distinctive, uniform appearance."



Morris I. Pickus,
President

The Personnel Institute, with offices in New York and Chicago, has been serving management and the individual since 1934 by helping their clients' personnel to make the most of their abilities, become more productive by motivating them toward self-development. Their work involves a voluminous amount of typewritten reports to their clients and they are especially concerned not only with the neatness and legibility of these reports but also the ability to turn them out as quickly and economically as possible.

That's why they are equipping their own typing stations with Remington Electric-conomy Typewriters—the new electric typewriters that turn out more work, better work—in less time and with less effort.

Mail this coupon for the FREE amazing booklet which tells the Electric-conomy story.

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THE FIRST NAME IN TYPEWRITERS

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☐ Yes, I would like a FREE copy of folder RE 8353 describing the new Electric-conomy.

☐ I would like FREE Electric-conomy Test in my office—without obligation of course.

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Servel offers economical for almost any cooling

OPERATES ON ANY OF THESE
SOURCES OF STEAM...

GAS-OPERATED STEAM
GENERATOR

INDUSTRIAL BOILER

WASTE HEAT BOILER

CONDENSATE STEAM GENERATOR

TURBINE EXHAUST STEAM

DISTRICT
STEAM LINES

CHILLED-WATER
OUTLET ▼

STEAM
INLET ▶

New Servel 25-ton Water Chiller. An economical source of chilled water for industrial processing, and of air conditioning for office buildings, hospitals, factories, defense plants. Available now only for defense orders.

◀ **Self-Contained Air Conditioner.** Five tons of refrigeration, heating optional. For commercial and other spaces where no ducts needed.

All-Year Air Conditioners. Provide the finest in commercial and residential air conditioning, summer and winter. In 3- and 5-ton sizes. ▶

IF YOUR JOB CAN BE DONE BETTER WITH AIR CONDITIONING OR COOLING,

absorption equipment or air conditioning job!

**NEW SERVEL 25-TON WATER CHILLER, 5-TON AND
3-TON AIR CONDITIONERS ALL OPERATE ON ANY
SOURCE OF STEAM . . . EVEN ON WASTE HEAT!**

No matter what your air-conditioning or cooling problem, chances are that one of the Servel units can give you closer temperature control, at less trouble and expense.

The new Servel 25-ton Water Chiller, for example, is one of the most flexible pieces of equipment available. It's so light, quiet, and smooth in operation that it can be installed on any floor, from basement to roof. It provides an ideal source of chilled water for any industrial use, and with heat exchangers, will supply air conditioning.

The Servel Water Chiller is economical to operate because it can run on any source of steam, even waste heat. Electric power requirements are nominal. Its capacity can be modulated as much as 50%, giving you unusually close control of temperature. And it lasts longer, costs less to main-

tain, because there are no moving parts in the cooling system to make noise or wear.

The other Servel cooling and air-conditioning units have been operating successfully from coast to coast for years. These include the now famous 3-ton and 5-ton *All-Year* Air Conditioners which provide the finest in residential and commercial air conditioning the year round; and the Servel Self-Contained Conditioner which supplies 5 tons of refrigeration without ducts. Heating optional.

One or more, or a combination of these Servel units will provide an economical, dependable solution to practically any air-conditioning or cooling problem. Fill out and mail the coupon below for more information. If you'll supply details of your particular problem, we'll be happy to have our application engineers suggest practical solutions.

Servel

AIR CONDITIONERS

FOR HOME • BUSINESS • INDUSTRY

IT CAN BE DONE BEST WITH SERVEL

MAIL COUPON TODAY

Servel, Inc., Department T-25, Evansville 20, Indiana.

Gentlemen:

Please send me more information on the following:

☐ Servel 25-ton Water Chiller
☐ Servel Self-Contained Air Conditioner
☐ Servel 3- and 5-ton *All-Year* Air Conditioners

Name

Firm

Address



Appliance Dealer Has Less Service Calls and Replacements with Klixon Protected Equipment

TRENTON, N. J.: Gilbert Levy, Service Manager of Bond Electric, Trenton's fastest growing appliance dealer, proves Klixon Protectors prevent motor burnouts. "There is no doubt in my mind, or in the minds of my associates, that equipment with Klixon Protectors require less service and less replacement than those not similarly protected. A thorough check of our records over a long period of time has proven conclusively that motor repairs and replacements in equipment supplied with the Klixon Protector are negligible."



The Klixon Protector illustrated keeps motors in electrical appliances and other motor-driven equipment from overheating and burning out. Look for equipment with Klixon Protected motors for trouble-free motor operation.

KLIXON

SPENCER THERMOSTAT
Div. of Metal & Controls Corp.
2405 FOREST STREET
ATTLEBORO, MASS.

Potter & Brumfield

Leading Supplier of

relays

for every electrical and electronic application.

Specialists in relays for military equipment.

20 years experience in design and contract manufacture of special electro-mechanical assemblies.

Send specifications for recommendations, samples and quotations.

Engineering offices in all principal cities.

POTTER & BRUMFIELD



PRINCETON, INDIANA
Phone 1208

READERS REPORT

His Master's Voice

Sirs:

Your statement that "Victrola" became the name commonly used for all phonographs [BW—Mar.31'51,p47] is erroneous.

"Victrola" is a registered trademark now owned by Radio Corporation of America (RCA) as successor of Victor Talking Machine Co. It is properly used to designate only phonographs marketed by the RCA Victor Division of Radio Corp. of America. This is emphasized in the slogan, "Only RCA Victor makes the 'Victrola'."

A. O. CARLSON

PATENT DEPT.,
RADIO CORP. OF AMERICA,
NEW YORK, N. Y.

Food for Thought for Ford

Sirs:

In your editorial "An Invitation to Ideas" [BW—Apr.28'51,p152], you indicate that the Ford Foundation holds as its first ideal "a growing economy, characterized by high output, the highest possible level of constructive employment, and a minimum of destructive instability."

It is becoming more and more recognized that the problem of alcoholism is taking an all too prominent place in our social and industrial activities. While some progress has been made in treatment and relief, very little is known, and very little has come out of research, to identify the underlying and basic causes of the affliction.

It would seem that this would be a logical problem on which to devote an intensive effort.

GILBERT L. COX

ROCHESTER, N. Y.

Sirs:

I wish to submit a suggestion that centers about salvaging some of the important assets of our country. I refer to those who are no longer acceptable to industry, very largely arrived at by the arbitrary age limit of 65. This segment of American population, we are reliably informed, will probably continue to increase, percentage-wise. Many problems are thus created.

Some of the problems are being met, at least partially, but it seems to me that a great area has been overlooked—the contribution that older people can make to society, to America, and to the world, under proper conditions and auspices. Perhaps in the brains, hands, and spirit of older people there is a vast treasure

of ideas, works of art, energy, and actual potential production.

I thought of the abandoned town of Nahma, Mich. [BW—Apr.28'51,p62], with homes available at low rentals, or purchasable at low costs—a town with many facilities for gracious living. And I thought how wonderful it might be if this and similar towns might be made a laboratory for the study of older people—under conditions through which lost assets might be rediscovered, and developed, and under which they might live productive, contented lives, even though their energies were slowing down.

Suppose in towns like Nahma, with hospitals, libraries, recreational facilities, and homes, there might be planted some minor industries, whereby older people could earn the \$50 a month that is permissible after qualifying for social security. Suppose facilities were made available whereby those who were able could produce for exchange garden and farm products. Crafts and handicrafts might also be included.

But at the apex of the pyramid of a study would be the attempt to find, by sifting experience and thinking, and learning, and skills, and attitudes—plus certain channeled activity—nuggets of ideas and attitudes and plans of great potential social value to all the people, not the annuitants alone.

EDGAR PAUL HERMANN

CHICAGO, ILL.

Sirs:

The following ideas concern the Ford Foundation activities.

I am continually surprised at the gap between economic theory and economic recommendations of government economists. The surprise arises from the deficiencies in both and not in one alone, and my recommended ideas cover both points.

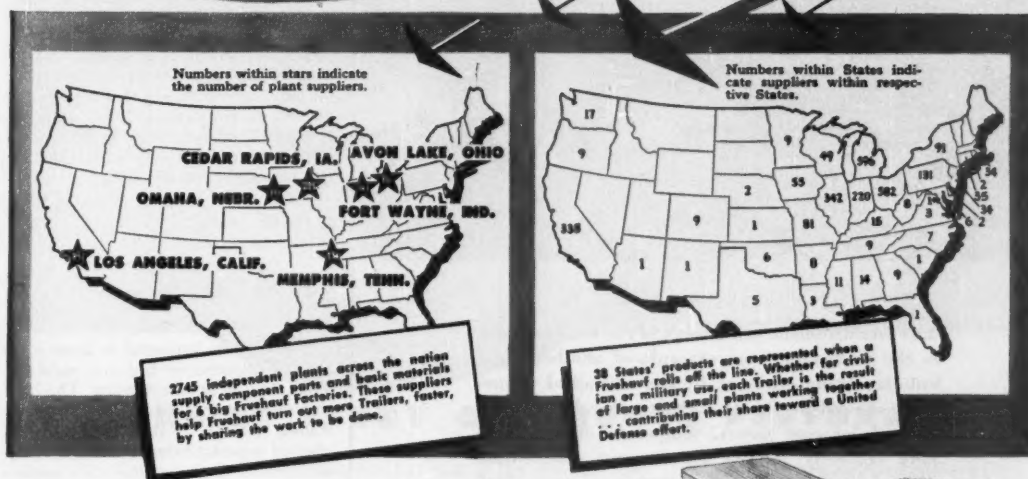
Without close contact with advancing economic literature, the best educated economists grow stale. Conferences frequently descend to the level of the least informed, and resulting government recommendations may be, and often are, puerile. The problem is to bring fresh ideas and new techniques to government economists in a practical and stimulating way.

One proposed solution is something similar to the Harvard Graduate School's businessmen's afternoon classes, to which businessmen come for discussion and lecture by an outstanding authority. It would be possible to use one of the existing universities here, but none has either the facilities or the faculty. It is proposed therefore to merge several or

2745 Plants in 38 States

SHARE THIS

ONE BIG DEFENSE PRODUCTION JOB



FRUEHAUF has received a number of important defense contracts because we have the ability and facilities to handle them. This is the way our government spreads the work to many plants, large and small, in a united effort to build the Trailers needed — faster!

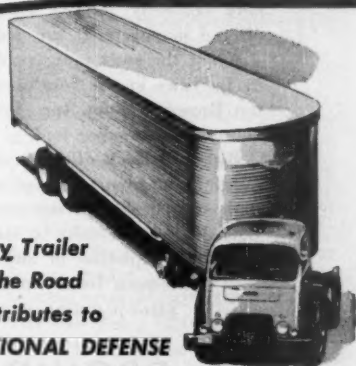
As a matter of fact, 2745 companies share in the Fruehauf production job. 38 states benefit with more jobs for their communities.

Without the help of these many smaller manufacturers

Fruehauf production lines just wouldn't operate. With their aid, we have been able to establish, month-after-month, new all-time production records.

The Fruehauf defense production picture is being duplicated by many other companies across the nation. It's a perfect example of the manner in which large and small businesses are working together to do a real defense production job.

**FRUEHAUF TRAILER COMPANY,
DETROIT 32, MICHIGAN.**



**Every Trailer
on the Road
Contributes to
NATIONAL DEFENSE**

Whether the load is Tank parts or tomatoes every Trailer is contributing to National Defense... supplying industry, feeding men and delivering finished products.

Almost everything you eat, wear and use is delivered all, or part of the way, in Trailers. They are a vital link in our nation's transportation system, and a necessity for fast, economical military transport.

EVERYBODY Shares in a UNITED Defense Effort

FRUEHAUF Trailers

"ENGINEERED
TRANSPORTATION"

Southwest Success Story



The establishment and growth of the steel industry in the Southwest is an example of another great industry being attracted by the myriad of advantages offered by the area. Vast natural resources, assured low-cost power, temperate climate, and land centrally located for low-cost distribution offered management the geographical area ideal.

When the steel industry decided on expanding its facilities in the Southwest, it naturally sought out Brown & Root, Inc., for the engineering and construction work.

Brown & Root offers expert counsel backed by more than thirty years of successful engineering and construction in the great Southwest. Its experience often results in faster, more economical completion of any proposed project. A request from you will put Brown & Root plant-planning experts at your disposal.



BROWN & ROOT, Inc.

Engineers • Constructors

P. O. BOX 3, HOUSTON 1, TEXAS

CABLE ADDRESS — BROWN-BILT

Associate Companies — • BROWN ENGINEERING CORP.
• BROWN & ROOT MARINE OPERATORS INC.

expand one university to enable it to undertake this function.

As to the other point, economic research in government is hamstrung by the necessity to be intensely practical. In fact, outside of an office in the U. S. Air Force, there is no research on methods of economic inquiry. The field is covered by the universities, but there is one part of the field that is badly covered, namely the design of economic experiments. This field is appropriate for a Washington (D. C.) institution because of the proximity to the data collectors would probably eventually be required to collect for the carrying out of an experiment. The institution mentioned above might be subsidized for this purpose.

The plan is important to world peace because the fortunes of the world are closely tied to legislative and administrative opinions in Washington. The \$8,000-\$10,000 level of executives exercises enormous world power. It may be no exaggeration to say that a thousand people in Washington who influence the destiny of the world may be reached directly or indirectly by a suitable program of advanced education.

MONROE BURK

DEPT. OF STATE,
WASHINGTON, D. C.

City by City

Sirs:

You may be interested to know what a quick response we had to a particular small item in BUSINESS WEEK. The brief statement on the BLS' City Worker's Family Budget [BW—Apr. 14'51, p39] elicited response from your readers from all sections of the country. We enclose a copy of the statement prepared to reply to these requests.

EDWARD D. HOLLANDER
CHIEF, DIVISION OF PRICES & COST OF
LIVING, BUREAU OF LABOR STATISTICS,
U. S. DEPT. OF LABOR, WASHINGTON

• The piece referred to, which seems to have fired everyone's interest, ranked the 34 principal U. S. cities by what it costs a family to live for a year. BLS had to get out a special release to take care of the inquiries our article evoked, and we have handled a heavy mail here. Sad fact is that BLS has nothing to add, nor have we. We carried the complete story, leaving out only the 25 pages of statistical tables on which the conclusions were based. BLS will send those tables to anyone who asks for them.

Letters should be addressed to Readers Report Editor, BUSINESS WEEK, 330 West 42nd Street, New York 18, N. Y.



INSIDE STORY OF SMOOTH PERFORMANCE

Take another look at the inside of this undersea hose. It's as smooth as your garden hose, even though it is 12" in diameter and its walls contain heavy wires for additional strength.

It took a lot of skillful engineering to produce that smooth interior. *Hewitt-Robins was the first to do it.*

Because there are no wire ridges and no corrugations, turbulence is minimized . . . sediment can't collect . . . cleaning is simplified. And flow is as much as 50% faster than through a rough-bore hose of the same diameter and length.

Smooth-bore hose is one of a long list

of basic advancements in hose construction originated by Hewitt-Robins.

For over a century, we have been building better hose and other industrial rubber products to facilitate the handling of fluid and solid bulk materials.

Today, we produce over 1000 different types of hose made from natural and synthetic rubber. Each is able to meet precise requirements—for flexibility and lightness; for resistance to abrasion, corrosion, erosion and shock; for ability to stand up under pressure and suction.

If you have a hose problem or need, come to hose headquarters.



WIRE REINFORCEMENT adds strength, flexibility and ease of handling to Hewitt-Robins heavy-duty hose, yet is buried in the plies for a fast, smooth fluidway.

HEWITT ROBINS

Executive Offices: 370 Lexington Avenue, New York 17, N. Y.

HEWITT RUBBER DIVISION: Belting, hose and other industrial rubber products

ROBINS CONVEYORS DIVISION: Conveying, screening, sizing, processing and dewatering machinery

ROBINS ENGINEERS DIVISION: Designing and engineering of materials handling systems

HEWITT RESTFOAM DIVISION: Restfoam® mattresses, pillows and comfort-cushioning

Hewitt-Robins is participating in the management and financing of Kentucky Synthetic Rubber Corporation

the miracle of * *MAGNETORQUE*

ANOTHER EXAMPLE OF A

Better Way

DESIGNED BY **P&H**

This locomotive is literally floating on air! Not the air below, but high up in the crane . . . a tiny air space that "cushions" the ups and downs of the load. It's a part of the unit which transmits the power—an amazing unit named *Magnetorque*.

Developed by P&H, world's largest builder of overhead cranes, Magnetorque does away with the greatest source of crane wear . . . mechanical load brakes. Instead of hard metal-to-metal contacts, power flows smoothly *through the air* . . . by electro-magnetic force . . . handling hundred-ton loads with a feather ease.

This smooth, sure response means no jarring stops and starts. Upkeep is easy . . . convenient AC operation sees to that. And as for the old worries of overheated motors, brake adjustments, worn-out linings . . . these are gone forever!

With "overhead" savings like this, production cost comes down . . . and with it the price of things produced. Again, in Magnetorque, P&H has found a *better way* . . . a way to bring more things to more people, at lower cost.

*T. M. of Harnischfeger Corporation for electro-magnetic type brake

P&H

QUALITY
FOUNDED IN 1884
SERVICE

HARNISCHFEGER
CORPORATION

4468 West National Ave. **P&H** Milwaukee 14, Wisconsin

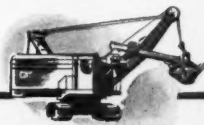
the **P&H** *Line*



TRUCK CRANES

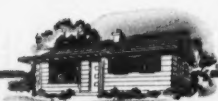


DIESEL ENGINES



POWER SHOVELS





HOMES



ELECTRIC HOISTS



WELDING EQUIPMENT



OVERHEAD CRANES



SOIL STABILIZERS



FOR HALF A CENTURY—
SPECIALISTS IN THE DESIGN,
MANUFACTURE AND APPLI-
CATION OF INDUSTRIAL
ELECTRIC MOTORS

In the March of Electric Motor Progress—we have lead the way in many developments of far-reaching importance to Industry. For half a century, we have created, pioneered, and built specially designed electric motors for the exacting requirements of this country's outstanding machinery manufacturers.

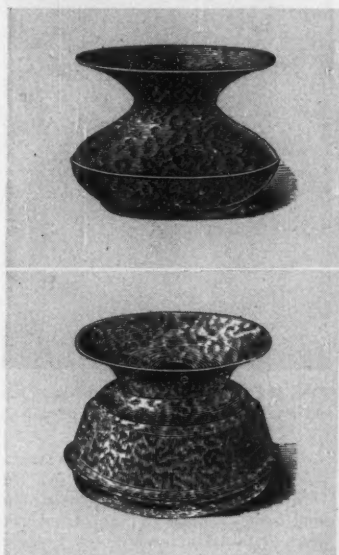
No matter what your motor requirements are—whether special or standard—you can depend upon Louis Allis.

THE LOUIS ALLIS CO.

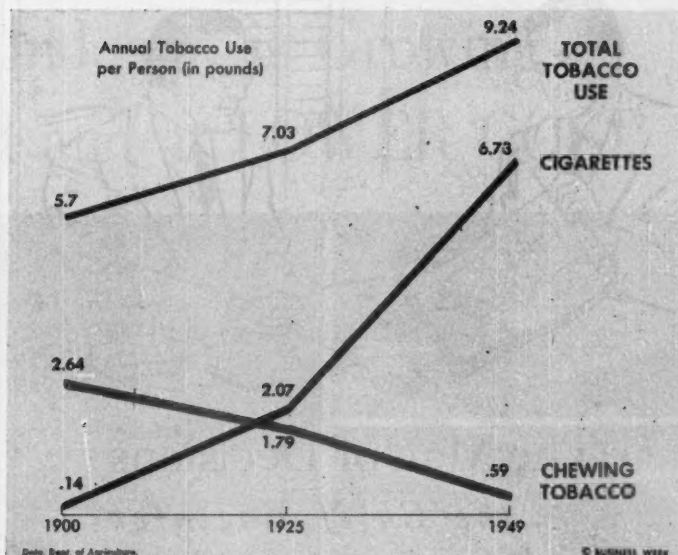
MILWAUKEE 7 WISCONSIN

**50th
YEAR
1901-1951**

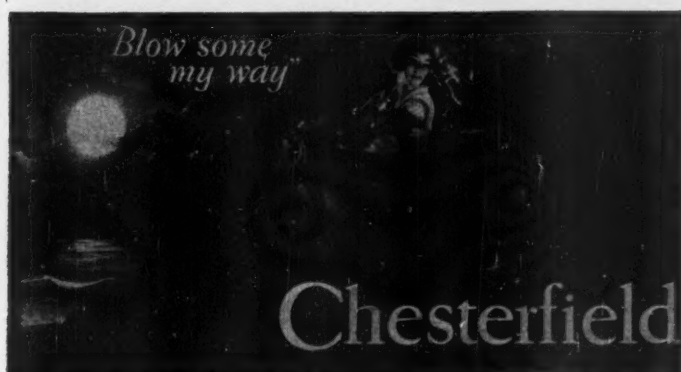
HABITS



CUSPIDORS lost their eye appeal . . .



... thus damping the joys of chewing tobacco. Plunging red line shows the result.



CIGARETTES, after 1913, swung to heavy national advertising of single brands, even reaching shyly for the female trade in 1919. Old premium cards were abandoned.



CHAW AND SNUFF still cling to the cards and to modest placard advertising.

Tidier World Shuns Chaw

You can't hide a spittoon—not and use it, too. You can't chew tobacco indoors without a spittoon. And anyway, the weight of contemporary American opinion is that you don't look pretty with a chaw.

That, in essence, is why P. Lorillard Co. is closing down its Middletown (Ohio) plant this summer. Middletown used to have 1,100 workers making chewing and pipe tobacco. Today it has dwindled to 500; in August it will

be zero. The shrunken output will be shifted to Lorillard's Louisville plant, but without much enthusiasm. Lorillard says there are only half as many tobacco chewers now as there were 25 years ago.

• **Times Change**—It's all part of one of those shifts of taste and fashion—broad sociological movements, if you like—that have been hitting tobacco ever since the Indians pioneered the various uses of the leaf. The chart shows how the chewing tobacco industry has been

slowly and majestically falling on its face in the past 50 years. The humble chaw got caught in the switches when cigarettes began their spectacular rise to favor.

It was not ever thus. In the 19th Century, chewing was a formidable con-



The Man of Decisions ... the Chief Engineer

In some plants he may be called Chief Engineer, in others Engineering Manager or Plant Engineer. Whatever the title, he is the individual who is charged with the task of investigating new equipment, new processes and new products with a view of learning whether or not they present any advantages if adopted by his own company.

He endeavors to control and coordinate activities of corresponding functions prevailing among his plant sections or departments. It's his aim to choose the best equipment that will do a job; and decide whether it can be done on standard or special equipment.

Of the many different ways the product can be made, he must decide which is the most efficient. And he OK's all the components that go into the making of the finished product.

Should the product be a refrigerator, heat exchanger, heater, or any other product requiring plain tubing or tubular part, he will immediately pass his approval when he learns that the tubing used is Wolverine. Engineers have absolute confidence in Wolverine copper tubing. They know it is quality-controlled from ore to finished product, every step of the way.

Specify Wolverine tubing for your product.

WOLVERINE TUBE DIVISION—Calumet & Hecla Consolidated Copper Company, Inc., producers of quality-controlled tube for refrigeration, processing industries, plumbing, heating and air-conditioning, automotive and aviation—1469 Central Ave., Detroit, Mich.—Plants in Detroit, Mich. and Decatur, Ala.



There IS a difference in Tubing



PINCH OF SNUFF is a mighty solace, this old print says. You can chew it or sniff it.

tender in the how-to-use-tobacco sweepstakes. Charles Dickens, visiting the U.S. in the 1840's, found traveling one long wade through a sea of tobacco juice. In his *American Notes*, Dickens wrote "... most offensive and sickening. In all the public places of America this filthy custom is recognized." And, speaking of chewers and spitters in the White House, he said the visitors "... bestowed their favors so abundantly on the carpet that I take it for granted the Presidential housemaids have high wages."

• **Manly**—Dickens didn't like chewing, but Americans did and found it more manly than the then "evil" cigarette. In 1870 chewing and pipe tobacco between them made up 79% of total sales. Cigarettes, already facing the organized viewing with horror that pursued them for decades, were smoked at the stupendous rate of one third of a cigarette per annum per capita—and that means every man, woman, and baby in the land.

1. Gainers: Cigarettes, Snuff

By the turn of the Century, the trend was turning, too. Cigarettes had risen to 34.9 per capita. But more than 2.64 lb. of tobacco were still chomped per capita. Counting out babies and ladies, that left a lot of chawing for masculine jaws.

From then on, the cigarette climb was sensational and almost continuous. The more the moralist inveighed against the horrid "coffin nail," the more the people smoked them. Gradually, women joined their European sisters on the bandwagon. In 1949 we were puffing 2,369 cigarettes apiece a year—still counting babies and nonsmokers.

• **Over-All Use**—Part of that came from the over-all increase in the use of to-

American Industry is Growing FASTER and at LOWER COST



— with *Standard Buildings by* **LURIA**



New buildings like these are springing up all over the country — providing urgently needed plant capacity, with remarkable speed and economy. That's because they're *Standard Buildings by LURIA*.

No costly delays for planning and engineering. No time lost in special fabrication of structural members. For these rugged, permanent, steel-frame structures are already engineered for you — manufactured by modern, mass-production methods — delivered to your building site and erected by trained crews.

Yet the Luria system of standardization is so flexible that your exact requirements can easily be met for practically

any type of single-story structure. Whether you need a warehouse, a small shop, or a complete new plant, you'll find that Luria has the practical solution to your building problems.

For complete information, send for your free copy of our 20-page catalog on Standard Buildings by Luria.

LURIA ENGINEERING CORPORATION

500 Fifth Ave., New York 18, N.Y.

District Offices:

Atlanta, Boston, Chicago, Philadelphia, Washington, D. C.

C/R

precisely ENGINEERED

for long, rugged SERVICE...

gaskets, packings, boots,

belting... by SIRVIS

Sirvis leather products are made for all types of mechanical applications. They provide maximum sealing and protection and have earned an unparalleled reputation for uniform, dependable performance under extremely difficult service conditions.

FOR DETAILED INFORMATION about Sirvis Products, write for the Chicago Rawhide Catalog.

CHICAGO RAWHIDE MANUFACTURING CO.

1231 Elston Avenue SIRVIS DIVISION Chicago 22, Illinois



SIRVENE

The Scientific Compounded Elastomer

Custom-engineered and custom-built for critical service in aircraft, automotive and other mechanisms.



PERFECT Oil Seals

C/R seals are used in more motor vehicles, farm implements and industrial machines than any other shaft-type sealing device.

C/R

SIRVIS

MECHANICAL LEATHER PRODUCTS

"... chewing tobacco behind its little brother, snuff, for the first time in ages..."

CHEWING TOBACCO starts on p. 85

bacco. Total consumption, a mere 2.9 lb. per capita in 1870, had more than tripled by 1949, to 9.24 lb. But a big part of the change came out of the hides of the chewing tobacco makers. Per capita use of their product was divided by five between 1900 and 1949; today it is said to be still lower.

• **Steady Snuff**—In fact, 1950 figures indicate that total sales of chewing tobacco have fallen behind its little brother, snuff, for the first time in ages. Snuff has had a totally different history from its up-and-down rivals in the industry. Its loyal troop of sniffers and chewers has never been very large in the U.S. But it doesn't shrink much either. We snuffed a fifth of a pound apiece in 1900; something over a quarter of a pound in 1949.

That's why, right along, investors have considered the stock of the three main snuff companies as a fine place to squirrel money. One reason for snuff stability has been that the companies have kept prices down well within reach of their predominantly rural customers—for the most part, Negroes in the south, and Scandinavians in the Minnesota area.

• **Open Spaces**—In the old days of largely rural America, most people worked outdoors, where they could chew and spit with gusto. The customs of the time permitted them to go right on spitting indoors. With the growth of industry, workers came under roofs. Understandably, a dimmer view of lush expectation developed.

From this, cigarettes took the biggest profits; but snuff did all right, too, in its stolid turtling way. The reason was simple. When you chew tobacco, you spit in geysers, you can't help it. Snuff is different. Whether you put a pinch beneath your tongue, or whether you dip a chewed softwood stick in it and chew the result, or whether you sniff a pinch up your nose, the outcome is substantially the same.

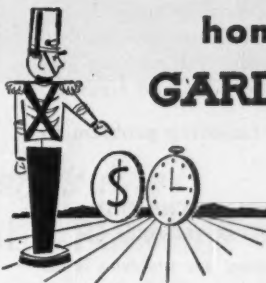
Industrialization of the South and worker migrations in two World Wars have brought a lot of rural chewers into plants where they are not allowed to chew, and sometimes can't smoke. But they can snuff in peace, with no one the wiser. Snuff even had a mild boom in the Navy. Sailors working in below-decks areas, with the smoking light out, found it a handy substitute, with no telltale spattering of bulkhead and deck.

In final result, tobacco chewing has



home front assault...

GARDNER-DENVER style



Your fight against time and high production costs can often be pressed more vigorously with the aid of Gardner-Denver equipment. For Gardner-Denver pumps, compressors, rock drills and other pneumatic equipment are seasoned veterans of many such production battles.

In the action above, for example, Gardner-Denver Wagon Drills are helping a quarry boost crushed rock output—at a lower cost per ton—and with more efficient use of explosives.

Whatever your business—whether it is large or small—the chances are you'll find Gardner-Denver equipment can help you win daily production battles.

SINCE 1859

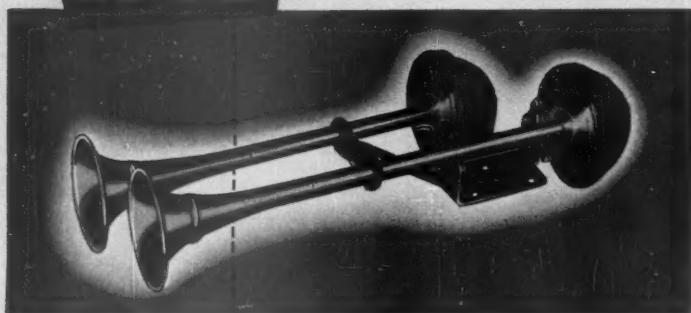
GARDNER-DENVER

Gardner-Denver Company, Quincy, Illinois.

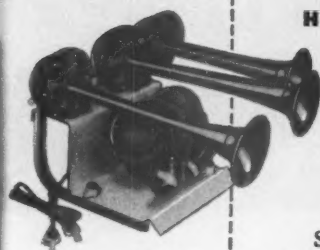
THE QUALITY LEADER IN COMPRESSORS, PUMPS AND ROCK DRILLS

LOUD

..but not gaudy



HOW GLIDDEN FINISHES HELPED BOOST HORN SALES



Color plus quality and texture of finish, carefully chosen for horns and their display stands, enabled a manufacturer to increase sales in a highly competitive market.

Similar opportunities are available to others through the use of Glidden industrial color styling, Technical Services and finishes.

Bring *your* finishing problem to GLIDDEN



A GLIDDEN TECHNICIAN IS AT YOUR SERVICE . . .

Solving finishing line problems is his specialty . . . helping Glidden customers is his job. No cost or obligation for his services. Just let us know when you want him to visit you.

THE GLIDDEN COMPANY

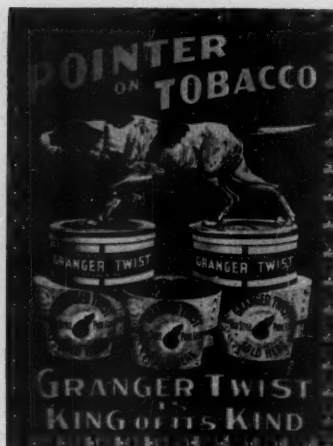
Dept. W-551, 11001 Madison Ave. • Cleveland 2, Ohio

Glidden



Product Finishes

PAINTS • LACQUERS • ENAMELS • VARNISHES • PRIMERS AND SPECIAL-PURPOSE FINISHES



THE MANY BRANDS of chaw even now are plugged largely by placards in local shops.

few addicts left except among older people. The industry figures that when a customer dies he will not be replaced. Snuff, adapting more resiliently to modern conditions, manages to keep its clientele on a relatively self-replacing basis.

II. Two Ways of Marketing

The decline of chewing and the steadiness of snuffing have both come about without benefit of the marketing techniques that have attended the spectacular rise of cigarettes. Apart from a few modest pro-snuff radio plugs in the South, neither has had any big-scale advertising. An outdoor sign here, a fly-blown placard in a tobacco shop there have been about the total. Experience had shown that customers know exactly the brand they want and can't be talked out of it.

In their multiplicity of brands, both chaw and snuff are throwbacks to older tobacco days—or rather, they are the sole continuers of what was at one time a universal practice in the tobacco industry.

Time was when, if you wanted to sell more tobacco, or cigars, or snuff, or cigarettes, you ran up a new, limited brand, aimed at a special taste, or a particular size pocketbook. Then you tossed the new brand into the market, with no special advertising boost. This method started back in the industry's early, free days and continued under the Tobacco Trust, which corralled about 90% of the whole industry by somewhat vigorous methods.

• **Premiums** — Independents and later the Trust did a fair amount of advertising, but it was almost all in the form of premiums and cards inserted in the package. Tiny rugs, pictures of actresses and athletes were avidly collected by



C'mon in—the water's fine!
because of a PENNSALT CHEMICAL "lifeguard"

Soon, thousands of swimming pools all over America will be echoing to the happy shouts of millions of youngsters—and oldsters, too! But a modern pool is a lot different from the "old swimmin' hole" . . . because public health officials demand *protection* for the bathers.

Frequent water change is one way to reduce contamination, but a *sure* "lifeguard" is needed to control bacteria and protect health. Chlorination provides this positive protection.

Pennsalt, who pioneered the bulk shipment of chlorine in 1909, has a practical answer to this problem . . . Perchloron® . . . a stable, concentrated, free-flowing, chlorine-bearing powder . . . easy to apply in controlled amounts.

Effective, unseen Pennsalt chemicals like this are at work protecting America's public health in water and sewage works, swimming pools, dairies and food plants. Others are serving in nearly every major industry . . . in agriculture . . . in the home. Perhaps a Pennsalt chemical answer

can solve a problem for you! Specific inquiries are invited—Pennsylvania Salt Manufacturing Co., 1001 Widener Building, Philadelphia 7, Pa.



KNOW HOW  **TRAIN NOW**
AIDS TO INDUSTRY PROGRAM

A helpful bulletin entitled "How to Chlorinate Swimming Pool Water" is available. Mail the coupon if you'd like a copy.

Pennsylvania Salt Manufacturing Co.,
 1001 Widener Bldg., Philadelphia 7, Pa.

Name

Address

Company Title

PROGRESSIVE CHEMISTRY FOR OVER A CENTURY



FORGING

—Still a Most

Important Factor

in the Arms Program

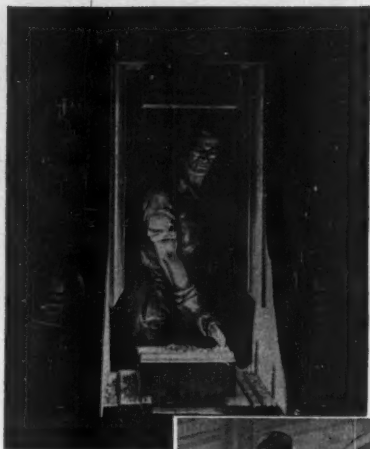
In the early years of mankind, the first important use of forging was in the manufacture of the sword. From the short Roman sword of the Imperial legions through the broadswords of the Arthurian knights to the Damascus blades of the Crusaders and the rapiers of the Three Musketeers, the smith who forged the blades was the key man back of the fighting line.

As wars became more and more mechanized so has the need for forgings in vital parts of war mechanisms increased, until in today's complicated and almost completely mechanized warfare, superiority depends to a great extent on the forgings that make up the mechanical equipment on land, sea and air.

The reason is obvious: Forgings have superior advantages over all other forms of metal fabrication. The metal is given higher tensile strength and toughness through controlled concentration of grain structure and fiber-like flow lines. Forging's greatest advantage, especially in equipment for war, is in the ability to meet unpredictable shocks, stresses and strains.

Today the hammers of the country's forge shops are working as never before to meet the demands that war preparation has thrown on them—and most of these are Chambersburg hammers.

CHAMBERSBURG ENGINEERING CO.
Chambersburg, Penna.



CHAMBERSBURG

THE HAMMER BUILDERS

... chewing tobacco and snuff... went along the old path, with numerous brands..."

CHEWING TOBACCO starts on p. 85

boys, who in turn tried to dragoon their fathers into buying the brand that they needed to round out their card collection.

In 1911 the Supreme Court swung the antitrust cleaver, splitting the Trust into four major units—the American Tobacco Co., Liggett & Myers, R. J. Reynolds, and Lorillard. These four—each a giant in its own right—were told they must operate as separate companies, or else.

• **Birth of Camel**—In the division of plants and brands, Reynolds got no share at all in the rising cigarette market. Within two years, this omission was repaired with a vengeance. Reynolds launched Camels as a single brand, backed by a massive weight of national advertising. The innovation bore swift fruit; in a very short time Camels were leading all other brands by a country mile, hitting 45% of the total sales in 1925.

American Tobacco and Liggett & Myers caught on quickly, shifting the power of all their advertising to Lucky Strikes and Chesterfields. These two, with Camels, have spreadeagled the field ever since, with the leadership shifting among them. Lorillard, left at the post, tried to catch up after 1926 with Old Golds, but even huge advertising couldn't close the gap.

The coming of the day of the single, heavily supported brand had no effect on chewing tobacco and snuff. They went calmly along the old path, with numerous brands and almost no advertising.

• **Advertising**—Probably the industry was wise to play it that way. Chewing tobacco was dying anyway, victim of social change. Snuff was holding even, but with no prospects of expansion. And it's a trade dogma that advertising can greatly speed an existing expansion, but can do little to check shrinkage. In tobacco, the results seem to prove the point. Massive plugging for rising cigarettes has carried tobacco as a whole with it. Profits continue high, the companies get bigger and bigger. Snuff continues to sell to its specialized users and to make money.

Only chewing tobacco, doomed by the down-turned thumb of fashion, is losing out. No one's mourning too much because chewing tobacco has been the least profitable form of tobacco for years. Charles Dickens can relax in his grave.



Business Week Reports to Executives On—

Doing Business With Uncle Sam

BUYING VOLUME of the U.S. government shoots up like a skyrocket in wartime. That's saying something, too. For during the past two decades, Uncle Sam has developed into the biggest single buyer in the world—come peace or war.

Nevertheless, the Korean outbreak 11 months ago demonstrated once again that the clash of resounding arms is always echoed loudly by the clinking of dollars. By April of this year, military spending had already climbed to a \$30-billion annual rate. Doubling that expenditure rate to \$60-billion by the yearend is confidently predicted. And the uneasy state of the world probably will lead this nation to maintain a state of military preparedness for years and

years to come. So, the short-range and the long-range views are approximately alike: stepped-up government spending is almost as certain as death and taxes.

But just because Uncle Sam is shoveling out vast stacks of money, doesn't mean that salesmen can simply line up at the trough and eat their fill. Some companies have found out by now—to their dismay—that getting a government order is not the easiest thing in the world. Other companies have found, too, that a government order doesn't necessarily mean you are riding on the gravy train.

UNCLE SAM can be your biggest and best customer—or he can be your biggest and worst headache. You

can make at least a fair profit on government business. You can also lose your shirt. How well or how poorly you fare depends on your ability to negotiate and perform a contract.

Doing business with the government is essentially the same as doing business with your regular customers. Approach a contract relationship with government contracting officers in the same manner as you would any large business concern. Don't try to take them; and chances are you won't be taken, either.

Suppose the government wants to buy something from you. If it's canned peaches, the government buyers will know what the market price is and they'll expect to buy at that figure. If you want the business, you take it on

Army Buying Activities: What & Where

CORPS OF ENGINEERS

Chicago Procurement Office, Corps of Engineers, 158 W. Harrison Street, Chicago

Air Conditioning and refrigeration units and equipment, bridges and bridging equipment, construction and maintenance equipment, including: augers, air compressors, conveyors, cranes, gas cylinders, dredging machinery, derricks, elevators, asphalt finishers, hoists, winches and windlasses, loaders, mowers, snow plows, pneumatic tools, road rollers, road routers, sawmills and powered saws, scrapers, tractors, welders, well drilling machinery and equipment, woodworking equipment.

Construction materials including: boiler drums, builders hardware, airplane landing mats, nails and spikes, pipe, railway track accessories, roofing, steel, tanks, wire.

Electrical equipment and supplies, including: capacitors, circuit breakers, floor Sanders, and vacuum cleaners, floodlights, generators, lamps, motors, pole line equipment, switches, transformers.

Firefighting equipment, fuel burning equipment, map reproduction equipment, plumbing, heating, and miscellaneous equipment; searchlights, sniper scopes, sniperscopes, metascope; surveying and mapping equipment; water and sewage treatment equipment.

CHEMICAL CORPS

Chemical Corps Procurement Agency, Army Medical Center, Maryland

Chemical Corps materials handling equipment, collective protectors and accessories, containers and fittings, decontamination equipment, dust respirators and accessories, flamethrowers, gages and laboratory equipment, gas masks and accessories, grenades, tear, smoke, incendiary, magnesium metal, metal components for incendiary bombs, smoke tanks, tools, hand and machine (special purpose).

ORDNANCE DEPARTMENT

Detroit Arsenal, Centerline, Michigan

Detroit Ordnance-Tank-Automotive Center, 1501 Beard Street, Detroit, Michigan

Automobiles, bicycles, combat vehicles, motor cycles, motor scooters, trucks and trailers, tanks, tractors.

Automotive equipment and maintenance supplies; batteries, waf, battery chargers

Frankford Arsenal, Philadelphia, Pa.

Ammunition for small arms and artillery, fire control equipment, carriage brass, optical instruments and accessories, watches and clocks.

Picatinny Arsenal, Dover, N. J.

Explosives and separate explosive ingredients, flare, rockets and signals, explosives processing equipment, grenades and land mines.

Raritan Arsenal, Metuchen, N. J.

Ordnance maintenance materials; cleaners, lubricants, paints, preservatives, recoil oils and fluids, special oils and fluids.

Rock Island Arsenal, Rock Island, Ill.

Artillery carriages, mounts and recoil mechanisms; launchers (bazookas), machine guns, parachests, paracaissons, and paratroles, small arms, targets and target materials for artillery and small arms.

Springfield Arsenal, Springfield, Mass.

Ammunition clips and magazines, machine guns, small arms, pistols and rifles.

Watertown Arsenal, Watertown, Mass.

Artillery carriages, mounts, and recoil mechanisms; generating equipment, electrical (for seacoast artillery).

Watervliet Arsenal, Watervliet, N. Y.

Artillery cannon, mortars, recoilless rifles.

Aberdeen Proving Grounds, Aberdeen, Md. (and at all offices listed above)

Components of ordnance equipment; measuring and testing instruments and equipment; metal and metal products, wire, strips, bars, tubes, sheets, pipe, rods, shapes, plates, castings and forgings, bolts, nuts, screws, washers, pipe fittings; electrical cable and wire; electroplating equipment and supplies, heat-treating furnaces and accessories, welding equipment and supplies, spray painting equipment and supplies, wood-working machinery and supplies, testing equipment.

General maintenance supplies, electrical supplies, light and power, general construction supplies; machine and machine tools, lathes, weighing scales, sensitive balances and larger.

ARMY ORDNANCE DISTRICT OFFICES

Ordnance Department district offices have authority to grant contracts up to a value of \$5-million. Included in the list are the Detroit Arsenal and Detroit Tank Automotive Center, not district offices, but

that basis. There's no guarantee you'll get the order, though, if a competitor beats you on price. If the desired article is a super-duper secret weapon never before produced, there will be considerable fumbling around to set a price, delivery schedules, and the like. Both you and the government will have to work out a contract carefully in a case like that. Both will have to allow each other elbow room in which to move around under the contract terms.

Negotiation of a government contract has the elements of a good old-fashioned horse trade. Under normal conditions, it might be expedient to discuss terms with the contracting officer and, when agreement is reached, wind up with a plain, unembellished lump-sum contract. Chances are that you'd make out all right. But it would be better these days to look into the matter a little more thoroughly. You'll find there are a variety of contract types and variations. It's a good idea to have a working knowledge of them all.

Negotiated contracts are fast becoming the rule in government business. Advertised bids are by no means out the window. But the bigger contracts—those not for standard items—are usually let under negotiation. Formally advertised contracts are used regularly when buying off-the-shelf items like shoes, dishware, and soap. But negotiated contracts are used to cover the great bulk of military buying now.

You have to look ahead further than signing the contract. Doing business with the government involves such uncommon things as renegotiation, termination, and inspection. They are more than red tape—they are vitally important in determining how you make out on your contract.

I. How to Start

IF YOU HAVEN'T embarked on a business campaign with the government since Korea, how do you go about it?

Not the way you did in World War I or World War II. In the first place, there's no Gen. Somervell's Service of Supply in Washington this time. The Pentagon is not swarming with buyers and sellers as it was during the last war. It's true that there was considerable decentralization of Army buying last time but now there is more than ever before.

The Navy concentrated all of its procurement in Washington in World War II. It has purchasing officers around the country now.

Wright Field was the one and only spot to sell World War II planes to the Air Corps. The Air Force has procurement field offices this time.

And then there are joint buying setups for all three of the services. In addition, almost every military installation has authority to do some sort of

buying—many can obligate funds into the millions.

So, before you take that train to Washington, check with the military buying units in your neighborhood and the Commerce Dept. field office nearest you. Get your company name placed on mailing lists or make arrangements to pick up your bid invitations and releases from the military offices. If you feel you ought to cover more bases, contact military offices outside your region.

ANOTHER WAY to get yourself known to the services is through the Qualified Products Lists. Each of the three services plus the Munitions Board Standards Agency maintains such lists. They are catalogs of products that have been tested and found to conform to specification. The service has tacitly approved the products on the list for purchase, for the purpose of eliminating time-consuming tests before awards are made. Through practice, the lists are used as ready references to manufacturers when sending out invitations to bid or submit estimates.

The lists are fairly well grouped according to types of products. To get your product qualified, write the procuring activity which normally would buy it and request that tests be made. They will arrange to get the item and have it tested.

Inclusion of your product on a

which do a considerable amount of ordnance buying.

BIRMINGHAM, ALABAMA—734 Frank Nelson Building, Phone 53-1641
BOSTON, MASS.—Boston Army Supply Base, Liberty 2-6000
CHICAGO, ILL.—209 W. Jackson Blvd. Harrison 7-6141
CLEVELAND, OHIO—Auditorium Bldg., 1367 E. 6th Street, Cherry 7-6471
DETROIT, MICHIGAN—6301 W. Jefferson Ave. Vinewood 3-6600
DETROIT ARSENAL—Centerline, Michigan. Jefferson 6-5000
DETROIT TANK AUTOMOTIVE CENTER—1501 Beard St. Jefferson 6-5000
LOS ANGELES, CALIF.—35 N. Raymond Avenue, Pasadena. Sycamore 3-6716
NEW YORK, N. Y.—111 East 16th Street, N. Y. Gramercy 7-4700
PHILADELPHIA—1300 Chestnut Street, Gladstone 5-3800
PHILADELPHIA—311 Old Post Office Bldg., 4th Ave. & Smithfield St. Grant 9900
ROCHESTER, N. Y.—1260 Sibley Tower Building, Room 1260, 68, 70, Baker 7260
ST. LOUIS, MO.—4800 Goodfellow Building, Evergreen 3011
SAN FRANCISCO, CALIF.—Oakland Army Base, Bldg. No. 1, Wing 3, Oakland. Exbrook 2-7211
SPRINGFIELD, MASS.—Springfield Armory, Phone 7-4381
CINCINNATI, OHIO—Big Four Building, Dunbar 2200

QUARTERMASTER CORPS

New York Quartermaster Purchasing Office, 111 East 16th Street, N. Y.

Purchases badges, decorations, insignia and medals (cloth and metal); goggles, glasses, eye shades and shields; musical instruments, components and parts.

Chicago Quartermaster Purchasing Office, 1819 West Pershing Road, Chicago, Ill.

Cots, metal and wood; equipment and machines (including parts, except materials handling equipment and special purpose vehicles); agricultural, athletic, bakery and mess, commissary, dry-cleaning, heating, kitchen, laboratory, laundry, bath and fumigation, materials handling, petroleum handling, printing, ski and cold climate; furniture, metal and wood, all types; hardware and metal components, helmets, kitchen utensils, cutlery, tableware; kits, barber, mending, sewing and tool; lockers, trunk.

Metal fabricated end-product, buckets, cans, containers, mess kits, cups, etc.; pales and pins for tents, scales, bed springs; identification tags; tools, hand and power operated (except common hand tools assigned

to the Navy); vehicles, hand and power operated as assigned to QMC. Columbus General Depot, Columbus, Ohio.

Spare parts and equipment for materials handling equipment and special purpose vehicles.

Jeffersonville Quartermaster Depot, Jeffersonville, Indiana

Caskets, shipping cases, components and accessories. Components, findings and miscellaneous supplies for use in manufacturing contracts assigned to the Jeffersonville Depot Factory.

Philadelphia Quartermaster Depot, 2800 South 20th Street, Philadelphia, Pa.

Miscellaneous spare parts for use in the Philadelphia Quartermaster Depot repair shop and in the repair of musical instruments; components, findings, and miscellaneous items for use in the manufacture of contract items assigned to the Philadelphia Quartermaster Depot Manufacturing Division.

SIGNAL CORPS

Signal Corps Procurement District, 2800 South 20th Street, Philadelphia, Pa.

Antennae, batteries, cables, coils and capacitors, communication equipment (except airborne), cord sets, electron tubes, facsimile and recording equipment, head sets, flashlights and electric hand lanterns, metal fabricated products for communications equipment, meters—electronic indicating; test and recording, meteorological equipment, microphones, mine detectors, plugs, power units, public address systems, radar and associated equipment, radio equipment, reel units, resistors; telephone, telegraphy, and teletype equipment; test sets and meters, tools and metal fabricated products, transformers, transistors, sockets, switches, visual and sound signalling and ranging equipment, wire.

TRANSPORTATION CORPS

Marietta Transportation Corps Depot, Marietta, Pa., Supply and Facilities Div., Office of the Chief of Transportation, Washington 25, D. C.

Railroad and rapid-transit lighting fixtures; locomotives, railroad service; self propelled cars; cars, not self propelled, brake subassemblies and brake rigging, locomotive and car, locomotive cranes, parts and attachments (except wrecking cranes); iron castings (not machined); steel castings, not machined; rolled wheels and axles.

QPL doesn't mean that the government has to buy it in future procurement. Nor does it constitute waiver of specifications or future tests. However, bid invitations frequently state that bidders on the QPL will be given preference. The contracting officer then is not required to accept bids from those producers not on the list. QPL's also come in handy when invitations for estimates are sent out for negotiated contracts.

SUPPOSING that you've seen all the local offices, got your product on a QPL, wine and dined local procurement officers, what next? Try Washington.

It is true that buying in Washington has been cut back sharply. Yet the Navy still buys ships through the head office, and the rest of the services follow suit to a lesser degree. Even if your product is not purchased through a Washington office, and even though regulations say you have to deal with the Picatinny Arsenal or the Detroit Tank-Automotive Center, for example, it still doesn't hurt to take your problems to Washington. Behind the contracting officers are the procurement planners and the top brass who know what they will be wanting to buy next.

Your Congressman should be on your calling list. In fact, you are missing a bet if you haven't let him know by letter that you're interested in doing business with the government and

particularly what problems you think you have that he might help unravel. His office can be helpful in giving you good steers about materials and price problems as well as those relating to procurement, too.

ANOTHER possibility: You can hire a legitimate manufacturers' representative in Washington. Such a representative probably cannot obtain any business for you which you couldn't get by yourself, if you wanted to take the time and effort to do so. If he claims he can, you'd do well to become cautious; he may be one of the five percenters in disfavor. There's a marked distinction between the influence peddler and the real manufacturers' representative.

Most of the big companies maintain an office in Washington and keep their government men hopping. Those that don't, employ agencies serving several manufacturers. You may find that you can't afford a full-time employee or you may prefer to have an established Washington office work for you.

If you do hire an agent, be prepared to tell all. Procurement regulations written last fall (BW-Nov. 18 '50, p. 49) state that if you are awarded an advertised-bid contract over \$25,000 or a negotiated contract over \$1,000 you must specify whether you used a special representative. You will also agree to tell the procuring agency everything they

wish to know about your agent. And, you must sign a covenant against contingent fees.

The covenant against contingencies works only against fees paid to other than bona fide employees or a bona fide selling agency maintained by you to secure business. If you ignore the covenant, you run the risk of having your contract voided—at least, you will have to pay the fees out of your own pocket.

II. If You Negotiate

YOU KNOW what formally advertised contracts amount to. The government either sends you an invitation or you read it in a magazine, newspaper, or on the postoffice wall. You submit a bid. It's opened in public along with all other bids, and if you're low man, under normal circumstances, you get the award. Your contract will be either a fixed-price type or lump-sum.

But advertised-bid contracts are on the decline, as they always are in a national emergency. When such an emergency was declared on Dec. 18, 1950, authority was granted to conduct procurement by use of negotiation in addition to formal advertising. The chances are slightly better than two to one that any contract you enter with the military agencies now will be negotiated.

The test as to whether an item will

be bought through negotiation or advertised bid is its military urgency. "Will the bazooka be needed before we can get it through advertised bidding?" That's the official yardstick. But in practice it gets around to something different.

The fact of the matter is, with only two contract forms available under advertised bidding, it's more advantageous to the service to negotiate where there's more contract freedom. Besides, just about any item—from toothpaste to tanks—can be negotiated under certain conditions.

THE CIRCUMSTANCES that permit most negotiation are:

(1) National emergency: This covers a multitude of sins. Since the President's declaration of a national emergency on Dec. 16, just about anything can be done in the name of the national emergency.

(2) Procurement in the interest of national defense or industrial mobilization. This is closely tied in with the national emergency provision and it takes into consideration the "broadening of the base" policy established by

Secretary Marshall. The idea is to keep vital suppliers in business, prevent loss of skilled employees, or to maintain balanced sources of supply.

(3) Public exigency. Purchases and contracts under this provision can be made "if the public exigency will not permit delay incident to advertising." Examples: repair or equip a ship to meet a sailing schedule, provide supplies for fire, flood, or disaster, or repair aircraft in order to meet a scheduled operational mission.

IF YOU HAVEN'T had negotiation experience with the government, you're in for a surprise. There are no ground rules for the actual negotiation proceedings. The bible, though, for negotiation authority and permissible contract provisions is the Armed Services Procurement Regulations (ASPR). Each negotiation must stand on its own merits and may vary for contracts involving identical items sold by different contractors. In other words, your bargaining ability is the deciding factor.

Procurement by negotiation is either selective or competitive. When it's selective, the government calls in a sup-

plier because of his experience in producing a particular or unusual item. The product may also be protected by patent or copyright. Competitive negotiation takes place when a group of manufacturers, all producing like items, are called in to discuss a contract. They are all in the same competitive picture and the contracting officer compares estimates in the same way he would make an analysis of invited bids. All can be given contracts, even though prices vary.

Negotiation begins with the soliciting of price estimates. They are supported by price breakdowns and generally the same information is required as that of an advertised bid. Prices in the estimates are not supposed to be firm but should be fairly close to a firm price.

The next step is to get together with the contracting officer and iron out the points at issue. It's a give-and-take proposition. The contracting officer will probably be lenient on most items but will look with a jaundiced eye toward contingent costs.

PPRICE isn't the only thing to keep in mind. Remember that the rule of thumb for negotiated contracts is

How and Where the Navy Buys

Navy buying is done by the Bureau of the Navy Department in Washington and by offices known as field activities. You can also sell standard stock items to any navy activity—such as a destroyer or naval air station—if the activity has an organized supply department and the purchase price of the item or group of similar items doesn't go above \$1,000. If it does, you've got to go through channels, even though the item will wind up at the very place where you tried to sell it.

All bureaus of the Navy Department have the mailing address of Washington 25, D.C. This holds true for all other government activities in Washington, regardless of whether they're across the Potomac in Virginia, or out in Maryland.

BUREAU OF AERONAUTICS

(Washington 25, D.C.)

BUYS: Airplanes; Rotary Wing Aircraft; Gliders; Air Ships; Balloons; Aircraft internal combustion engines with parts, attachments and accessories; Aircraft gas turbines and jet engines, parts, attachments and accessories; Airframe assemblies and components; Propeller assemblies and components; Aircraft training equipment; Parachutes; Aerial delivery equipment; towing equipment; energizers and engine preheaters; and, catapults and beaching gear.

BUREAU OF ORDNANCE

(Navy Department, Washington 25, D.C.)

BUYS: Gun mounts, except aircraft; artillery, naval guns and mortars, assembled, cal. .60 and over; barrel and breech mechanism assemblies; artillery and naval gun barrels (tubes); naval gun recoil mechanisms; complete rounds of artillery, naval gun and mortar ammunition, fixed and semi-fixed, cal. .60 and over; components of artillery and naval gun and mortar ammunition; aerial bombs, assembled; fin assemblies; bomb subassemblies; bomb fuses; rockets, assembled 5 in. and over; pyrotechnic ammunition; miscellaneous ammunition and related products; fire control equipment; computing devices and sights except bomb sights; range indicators and binoculars; miscellaneous fire control equipment; non-combat guns (line throwing and catapult); high explosives, propellants and blasting agents; mines, aerial and naval and components; and miscellaneous ordnance material.

BUREAU OF SHIPS

(Department of the Navy, Washington 25, D.C.)

Purchases aircraft carriers, battleships, cruisers, destroyers, submarines, minor combat vessels, landing vessels and components, peculiar to combat and landing vessels. Also buys tracked landing vehicles and components.

Procures surface targets, barges, small craft, respiratory protective devices, diving equipment, submarine escape training facilities, special devices of the Naval Communications Service, radio, radar, and accessories for use ashore, services of salvage agencies, etc.

BUREAU OF YARDS AND DOCKS

(Navy Department, Washington 25, D.C.)
(located in Yards and Docks Annex, Arlington, Va.)

Procures public utilities services (electric, gas, water, sewerage, etc.) and permanent facilities including the acquisition and disposal of real estate.

BUREAU OF PERSONNEL

(Navy Department, Washington 25, D.C.)
(located in Arlington Annex, Arlington, Va.)

Procures educational services and training materials for the training of personnel in the Navy. Also contracts for recruiting aids such as advertising, pamphlets, books, etc.

OFFICE OF NAVAL RESEARCH

(Navy Department, Washington 25, D.C.)

Contracts for research in connection with work of other bureaus. Also awards contracts in research to agencies and institutions concerned with electronics, chemistry, physics, etc.

HEADQUARTERS, U.S. MARINE CORPS

(Washington 25, D.C., Arlington Annex of Navy Dept.)

Procures a miscellany of equipment, material and supplies. However, most procurement items for the Marine Corps are purchased by the Army and Navy purchasing activities under the coordinated procurement program. The major portion of direct Marine Corps purchasing is done through the Marine Corps Depot of Supplies, 1100 S. Broad Street, Philadelphia 46, Pa. This depot purchases all textiles, clothing and related textile items for the marines.

NAVY PURCHASING OFFICE

(Navy Department, Washington 25, D.C.)

Under the coordinated procurement program, the Navy purchases hand tools for the services through this office. Such items as: files, and rasps; saw blades and frames; edge tools (dozes, axes, hatchets, bits, countersinks, drills, reamers, shears, snips, pipe cutters, etc.); tools, other than edge tools (hoes, shovels, tongs, scoops, hammers, pliers, screwdrivers, picks, mattocks, mauls and other road tools, etc.); mechanics measuring tools (calipers, gauges, rules, protractors, squares, vernier measures, etc.); chests, kits, and sets of a variety of types of hand tools and industrial

military urgency. Your price may not be the lowest, but if you can deliver 1,000 mine detectors to the Army when the troops need them most, you stand a better chance than a lower-bid man with later delivery.

You'll find that even though the contracting officer has liberal powers, there's a lot he can't commit his service to do. The more money involved, the bigger brass he has to see for approval. Your negotiation is therefore liable to be drawn out while the contracting officer takes his findings up through the chain-of-command. Bear with him, he doesn't like the delay any better than you do.

III. What's in a Contract

YOUR CONTRACT, whether it's the result of an advertised bid or extensive negotiation, will follow the same general pattern. Of course, with negotiation you'll have a lot more clauses. But almost any contract will contain these: delivery terms, how and when payments are to be made, inspection requirements, specification changes, delays and damages for failure to deliver, responsibility for supplies, covenant

against contingencies, dispute provisions, packaging and marking requirements, subcontracting provisions, provisions for patents, royalties and copyrights, taxes, government-furnished property provisions, termination agreements, assignment of contract, classified information requirements, renegotiation provisions, and audit of books.

Your contract will also contain clauses on the Walsh-Healey Act, the Eight Hour Law of 1912, no benefits to officials of the government, the Neutrality Act, employment of aliens, convict labor, and anti-discrimination.

EVENTUALLY, as a contractor, you will sign one of these contract types:

Fixed price. This is the basic type. It generally provides for a firm price and is used when costs can be reckoned with reasonable accuracy. It can have a provision for adjustment or an escalator clause.

Fixed price with a redetermination clause. This one is used to obtain a reasonable price for both you and the government, taking into consideration rising labor and materials costs. It may

also be used when an item has never been produced before and you are uncertain of the cost of performance. Price is redetermined (up or down) only to the extent that the contingent costs that the government agrees to pay are actually incurred. The redetermination point is agreed on during negotiations.

Incentive type. It works this way: You give an estimate of what you think it will cost to produce the item in quantity requested. This is your target price. Then you and the contracting officer agree on a maximum price. Costs are reviewed, usually after the contract is 30% or more complete. Your profit will vary inversely with actual cost but in no case can you exceed the maximum price agreed upon.

Cost plus-a-fixed-fee type. It is similar to a cost contract but provides for a fixed fee based on the estimated cost of the contract. The fixed fee doesn't vary with actual cost. CPFF contracts may have provisions for redetermination of overhead rates at stated intervals.

You negotiate the fixed fee but under normal circumstances it can't go above 10% of the estimated cost. For the

cutlery. Also buys for the Navy, machine tools, coal, materials handling equipment, wood pallets, office equipment, and miscellaneous items of a non-technical nature including off-the-shelf buying.

MILITARY SEA TRANSPORTATION SERVICE

(Department of the Navy, Washington 25, D. C.)

Contracts for charter of commercial vessels by bareboat, time and voyage charter, also passenger and cargo space.

ARMED SERVICES PETROLEUM PURCHASING AGENCY

(Navy Department, Washington 25, D. C.)

Buys petroleum and petroleum products including paint thinner and cleaning solvent for all services.

NAVY SHIPS STORES OFFICE

(29th Street, and 3rd Ave., Brooklyn 32, N. Y.)

Handles the procurement of all supplies and equipment, and merchandise for resale in Ships Stores, Commissary Stores, and Navy Exchanges. Does not sign national contracts for such items but will recommend to the Navy Purchasing Office, 111 E. 16th Street, New York, to do so when it's in the interest of the Navy. You can enter into quarterly contracts with the following regional offices for items to be sold through Navy facilities.

Navy Purchasing Office, N. Y., M. Y.

Naval Shipyard, Boston, Mass.

Naval Shipyard, Philadelphia, Pa.

Naval Shipyard, Charleston, S. C.

Naval Air Station, Miami, Florida

Naval Purchasing Office, Naval Supply Center, Norfolk, Va.

Naval Purchasing Office, Los Angeles, Cal.

Naval Purchasing Office, San Francisco, Cal.

Naval Supply Depot, Seattle, Washington

NAVAL CLOTHING SUPPLY OFFICE

(29th St. and 3rd Ave., Brooklyn 32, N. Y.)

Determines clothing requirements for enlisted uniforms and for climate protection. Furnishes you with specifications.

NAVAL AVIATION SUPPLY OFFICE

(700 Robbins Avenue, Philadelphia 11, Pa.)

Buys a large amount of aeronautical material and spare parts. The Bureau of Aeronautics is responsible for purchase of complete airplanes and engines with initial spare parts. The NASO buys such items as spark plugs, fuel pumps, carburetors, generators, wing tanks, exposure suits, etc.

GENERAL STORES SUPPLY OFFICE

(700 Robbins Avenue, Philadelphia 11, Pa.)

Control point for all standard supplies and materials in common use throughout the Navy. These are referred to as General Stores Material and include such things as coars, boiler compound, lamp cord, wire rope, life hose, artificial and real leather, life preservers, and enamel.

SHIPS PARTS CONTROL CENTER

(Mechanicsburg, Pa.)

Keeps an eye on the stock level of ship repair parts and orders procurement when necessary. Purchasing Office of Ships Parts Control Center buys: gasoline engines, Diesel engines, ball equipment, machinery components, searchlights, gyrocompasses, dead reckoning equipment and navigation equipment.

SUBMARINE SUPPLY OFFICE

(Naval Shipyard, Philadelphia, Pa.)

Does essentially the same for subs as the Ships Parts Control Center does for surface craft. Is concerned with: batteries, under water sound equipment, and specialized air conditioning equipment, etc.

YARDS AND DOCKS SUPPLY OFFICE

(Naval Construction Battalion Center, Port Hueneme) (pronounced "why-hoo-me"), Calif.

Buys construction equipment, weight and materials handling gear, and other items used by SeaBees.

ELECTRONICS SUPPLY OFFICE

(Naval Supply Depot, Great Lakes, Ill.)

Buys electronics spare parts.

ORDNANCE STOCK OFFICE

(Naval Gun Factory, Washington, D. C.)

Is the major field procuring office for the Bureau of Ordnance and controls procurement for 28 ordnance facilities in the field. Write the Contracting Officer, Naval Gun Factory, Washington, D. C., to be placed on a mailing list.

ARMED SERVICES MEDICAL PROCUREMENT AGENCY

(84 Sands Street, Brooklyn 1, N. Y.)

Buys all medical instruments, apparatus, equipment, supplies and related items for the Army, Navy, and Air Force. Is a joint agency of all three services.

Doing Business with the Air Force

The Department of the Air Force buys nearly all of its equipment through the Procurement Division, Air Materiel Command, Wright-Patterson Air Force Base, Dayton, Ohio. But, local AF activities are also permitted to make purchases in varying degrees, most of which are housekeeping items. Wright-Patterson buys the following:

Airplanes: transports, bombers, fighters, reconnaissance, training, utility, and other liaison.

Rotary Wing Aircraft: gyros, helicopters.

Glider: transports, training, and power assisted gliders.

Balloons: non-mechanically driven. (Air ships purchased by Navy).

Aircraft internal combustion engines, parts, attachments and accessories; aircraft gas turbines and jet engines, parts, attachments and accessories; airframe assemblies and components: wing, tail, fuselage and landing gear assemblies and components; power plant attaching structural parts and accessories; propeller assemblies and components; variable and fixed-pitch propeller assemblies, adjustable, test clubs, components and miscellaneous propeller assemblies; aircraft assemblies and components: hydraulic, fuel, oil, vacuum, and fire-extinguishing systems, oxygen equipment, oxygen components, and armament mounts and components. Aircraft training equipment: aerial gunnery training devices, and miscellaneous training devices; parachutes; personnel and cargo carrying aerial delivery equipment; towing equipment; energizers and engine preheaters.

Motion and still picture equipment, ground and aerial; cameras, projectors, readers, viewers, editing machines, lenses, attachments, and components; processing and finishing equipment for still and motion pictures: printers, enlargers, developing machines, driers, timers; motion and still pictures sensitized materials: films and papers, color and B&W; photographic chemicals and chemical preparations: sensitizing and processing; miscellaneous photographic equipment and supplies: studio and theatre equipment, background brackets, posing chairs, fenders, camera stands and jacks, travel racks, etc.; copying cameras and attachments, accessories and supplies.

(Packaged Medical X-Ray film is purchased by the Armed Services Medical Procurement Agency, 84 Sands Street, Brooklyn, N. Y.)

Although Wright-Patterson is the center of all procurement within the Air Force, there are Procurement Field Offices scattered around the country. The following is a list of such offices where information may be obtained.

Boston Air Force Procurement Field Office

Chief, Boston Area Office, Boston Air Force Procurement Field Office, AMC, Army Base, Boston 10, Mass.

Chief, Rochester Area Office, Boston Air Force Procurement Field Office, AMC, 20 Symington Place, Rochester, N. Y.

Air Force Resident Officer-in-Charge, Boston Air Force Procurement Field Office, AMC, Bell Aircraft Corporation, Niagara Falls, N. Y.

Air Force Resident Officer-in-Charge, Boston Air Force Procurement Field Office, AMC, General Electric Company, 1 River Road, Schenectady, N. Y.

Air Force Resident Officer-in-Charge, Boston Air Force Procurement Field Office, AMC, General Electric Company, 920 Western Ave., West Lynn, Mass.

Chicago Air Force Procurement Field Office

Chief, Chicago Area Office, Chicago Air Force Procurement Field Office, AMC, 1660 East Hyde Park Blvd., Chicago 15, Ill.

Chief, South Bend Area Office, Chicago Air Force Procurement Field Office, AMC, Bendix Aviation Corporation, South Bend 20, Indiana.

Chief, Milwaukee Area Office, Chicago Air Force Procurement Field Office, AMC, 1925 East Kanilworth Place, Milwaukee 2, Wis.

Chief, Minneapolis Area Office, Chicago Area Procurement Field Office, AMC, 1433 Stinson Blvd., Minneapolis, Minnesota.

Chief, St. Louis Area Office, Chicago Area Procurement Field Office, AMC, Emerson Electric Company, 8100 Florissant Ave., St. Louis 21, Mo.

Chief, Wichita Area Office, Chicago Air Force Procurement Field Office, AMC, Beech Aircraft Corporation, 6600 East Central Ave., Wichita, Kansas.

Air Force Resident Officer-in-Charge, Omaha Plant Office, Chicago AF Procurement Field Office, AMC, Government Aircraft Plant No. 1, WD-101, Offutt AF Base, Omaha, Neb.

Dayton Air Force Procurement Field Office

Chief, Dayton Area Office, Dayton Air Force Procurement Field Office, AMC, Wright-Patterson Air Force Base, Dayton, Ohio.

Air Force Resident Officer-in-Charge, Dayton Air Force Procurement Field Office, AMC, General Electric Company, Cockland, Ohio.

Detroit Air Force Procurement Field Office

Chief, Michigan Area Office, Detroit Air Force Procurement Field Office, AMC, W. Warren Ave. and Lonyo Blvd., Detroit 32, Michigan.

Chief, Cleveland Area Office, Detroit Air Force Procurement Field Office, AMC, 1375 Euclid Ave., Cleveland 15, Ohio.

Ft. Worth Air Force Procurement Field Office

Chief, Dallas Area Office, Ft. Worth Air Force Procurement Field Office, AMC, 1114 Commerce Street, Dallas, Texas.

Chief, Marietta Area Office, Ft. Worth Air Force Procurement Field Office, AMC, Government Aircraft Plant No. 6, Marietta, Ga.

Resident Officer-in-Charge, Ft. Worth Air Force Procurement Field Office, AMC, Consolidated Vultee Aircraft Corporation, Government Aircraft Plant No. 4, P. O. Box 371, Ft. Worth, Texas.

New York Air Force Procurement Field Office

Chief, New York Area Office, New York Air Force Procurement Field Office, AMC, 67 Broad Street, New York 4, N. Y.

Chief, Philadelphia Area Office, New York Air Force Procurement Field Office, AMC, 3rd Floor, Robinson Bldg., Philadelphia, Pa.

Chief, Newark Area Office, New York Air Force Procurement Field Office, AMC, 43 Academy Street, Newark, N. J.

Air Force Resident Officer-in-Charge, New York Air Force Procurement Field Office, AMC, Republic Aviation Corporation, Farmingdale, L. I., N. Y.

Air Force Resident Officer-in-Charge, New York Air Force Procurement Field Office, AMC, Bendix Aviation Corporation, Bendix Radio Division, East Joppa Rd., Tawson, Md.

Air Force Resident Officer-in-Charge, New York Area Procurement Field Office, AMC, Curtiss Wright Corporation, Propeller Division, Coldwell, N. J.

Air Force Resident Officer-in-Charge, New York Air Force Procurement Field Office, AMC, Chase Aircraft Company, Parkway and DeCoo Ave., West Trenton, N. J.

Air Force Resident Officer-in-Charge, New York Air Force Procurement Field Office, AMC, Fairchild Engine and Airplane Corporation, Hagerstown, Md.

Air Force Resident Officer-in-Charge, New York Air Force Procurement Field Office, AMC, Glenn L. Martin Company, Baltimore 3, Md.

Air Force Resident Officer-in-Charge, New York Air Force Procurement Field Office, AMC, Sperry Gyroscope Company, Great Neck, Long Island, N. Y.

Air Force Resident Officer-in-Charge, New York Procurement Field Office, Lockheed Aircraft Service Corporation, Sayville, Long Island, N. Y.

Los Angeles Air Force Procurement Field Office

Chief, Los Angeles Area Office, Los Angeles Air Force Procurement Field Office, AMC, 155 W. Washington Blvd., Los Angeles 54, Cal.

Also offices at: 751 South Figueroa, Los Angeles 14, Calif.

Chief, San Francisco-Oakland Area Office, Los Angeles Air Force Procurement Field Office, AMC, Alameda Naval Air Station, Alameda, Calif.

Chief, San Diego Area Office, Los Angeles Air Force Procurement Field Office, AMC, Consolidated Vultee Aircraft Corporation, San Diego 12, Calif.

Air Force Resident Officer-in-Charge, Los Angeles Air Force Procurement Field Office, AMC, Douglas Aircraft Corporation, 3800 Lakewood Blvd., Long Beach, Calif.

Air Force Resident Officer-in-Charge, Los Angeles Air Force Procurement Field Office, AMC, Hughes Aircraft Co., Florence Ave. & Teale Street, Culver City, Calif.

Air Force Resident Officer-in-Charge, Los Angeles Air Force Procurement Field Office, AMC, Lockheed Aircraft Corporation, Factory A, Burbank, Calif.

Air Force Resident Officer-in-Charge, Los Angeles Air Force Procurement Field Office, AMC, North American Aviation Inc., Los Angeles International Airport, Los Angeles 45, Calif.

Air Force Resident Officer-in-Charge, Los Angeles Air Force Procurement Field Office, AMC, Northrop Aircraft, Inc., Northrop Field, Hawthorne, Calif.

purpose of fixing your fee, estimated costs can't include any prior R&D contract; or 7% of the estimated costs exclusive of fee, of any other contract; or the fee for the contract under consideration. Allowable fee in CPFF contracts for architectural or engineering services is 6%.

Time and materials contract. This

contract is used to buy services or supplies at specified hourly rates and materials at cost. Hourly rates include direct labor, overhead, and profit.

Letter contract or letter of intent. A preliminary contract of this type authorizes you to begin work, incur costs, and make commitments pending negotiation and final contract execution. It

can contain tentative or specific prices. It obligates the government to execute a definite contract within a specified time, or reimburse you for costs already incurred. This type is only used when it's necessary to get work started right away. One example is when your contract has to go to the big brass for approval. It can also be employed when

it's impossible to draft requirements and specifications before executing a definite contract. Letters of intent are used pretty extensively in ship construction, large aircraft and tank orders. The Cadillac tank order is an example.

Purchase order. Actually, it is a simple fixed-price contract in the form of a written acceptance signed by the contracting officer. It's used to purchase supplies or services from an established price list. Or it can also be used following a written or oral quotation of price.

Open-end contract. This is a loose contract that has varying or no time limit, usually involving recurring orders. It is normally used for standard small items for which there's a continuing need.

IV. How You Get Paid

WHEN DO YOU get paid for government work? Usually, you won't get your money until you start delivering on your contract. And, even then, payment is not made until after acceptance by the government. Your contract will specify when and where to submit invoices. Payment follows shortly after invoices are submitted to the agency named in the contract.

You can get partial payments under some contracts. The contracting officer may be given the authority to authorize them. Under a construction contract with the Army, for example, progress payments can be made at the end of each calendar month. You submit estimates of work completed and the general rule is that the contracting officer will approve payment up to 90% of your estimate. The remaining 10% is held until the contract is at least 50% complete.

Under the fixed price supply contract with the Army, the contracting officer can also grant partial payment up to 75% of your cost of materials. But the total unliquidated balance of partial and advance payments can never go beyond 80% of the total contract price of undelivered supplies. And there are other contracts where you can get up to 90% of the direct labor and material costs, in partial payments.

ADVANCE payments are those made to you by the government in the form of loans or advances prior to complete performance. They are not the same as partial or progress payments made for part performance of a contract. The government will make advance payments under certain conditions when you do not have sufficient funds and are unable to secure them from private sources. Other requirements are: No other contractor can do the job to the satisfaction of the government without advance payments; and the amount paid you is over and

above the fullest use of your own funds.

The man who makes the decisions as to whether you get advance money is the Secretary of the service—Army, Navy, or Air Force. The government's not too liberal with these funds and, therefore, requests have to be pretty well documented before approval is made. And a tight watch is kept over the distribution of funds.

The Army, for example, may require that whatever advance payments are made be deposited in a special banking account with a member of the Federal Reserve system. The Army then maintains a lien on the account, superior to all others that the bank may have on the account. Other services have similar provisions.

The government secures its advance payments by taking a lien on your supplies, material, and other property used in connection with performance. These items are agreed upon at the time payments are made to you. And you can also be told to execute a bond for the amount advanced.

Interest will be charged you at 24% a year on the amount of the unliquidated balance. But you probably won't have to pay interest in connection with cost contracts, for the Secretary can also waive all interest requirements.

V. Meeting Inspection

EVERYTHING the government buys conforms to some sort of specifications. Very often these look like unintelligible volumes of figures and diagrams. Sometimes they're very simple. But regardless of their complexity, you've got to conform to the specs or your product will bounce back.

It makes no difference that the hand tools you're turning out for the Navy are on the Qualified Products Lists, or that you have signed dozens of certificates of quality, the Navy will inspect them. The same holds true for anything the government buys—it's all liable to inspection.

Requirements regarding inspection are specified in your contract. It can take place at point of manufacture, point of delivery, or the destination.

When you negotiate, shoot for a clause that specifies inspection at origin. Here's why: If inspection takes place after shipment, and the item is rejected, you pay the transportation costs.

Rule of thumb on inspections is, if facilities are available, inspection will occur where you make the product. But perishable goods, biologicals, off-the-shelf items and other products are checked at destination.

IT MAY WELL BE that you and the inspector don't see eye to eye. You may think he's not the man for

the job. But remember, the government does. You can protest his decisions by taking the issue to your contracting officer. But be sure that the item conforms to specifications before you do. Otherwise you may find that the borderline cases that happen in any production will be tossed back, and your costs will take a sharp swing upwards as inspection gets tougher.

If supplies are urgently needed, inspection can be reduced to a cursory look or it will be waived completely. But chances are you'll have a regularly assigned inspector to look over your job. He'll report directly to the section of the service with whom you're contracting. For example, if you're making electronic tubes for the Army, the inspector reports to the Signal Corps Procurement Agency in Philadelphia.

AS A RULE, inspection is made at the point of final assembly of a prime contractor. That makes you, as the prime, responsible for quality of raw materials and components that go into the finished product. But this doesn't prohibit the inspector from checking your subcontractors at periodic intervals. It may also be that the service with whom you're dealing will find it expedient to inspect raw materials at the source, rather than in your plant on delivery.

Frequently inspectors are permanently assigned to steel plants, copper and brass producers and the like, so that you don't have to worry about possible inspection of these items in your shop.

You may find that you and the inspector get along pretty well. He's doing his job and watching out for the best interests of the government. You like the guy, but for his best interest, don't show it too much. The "book" (which will be thrown at him if you do) says, "The inspector will not accept from the contractor contributions of any kind for the benefit of himself or any other person, firm, or organization. He will not accept gifts, loans, favors, meals, beverages, tickets of admission to theatres or sporting events, housing accommodations, facilities for weekend trips, or transportation."

VI. Through the Wringer

AFTER you've completed your contract, delivered the goods, and gone on to something else, you're still not finished with the government. You most likely will have to renegotiate your defense business.

There's no stigma connected with renegotiation, nor is there any reason to believe that you're getting the tag end of the deal. Renegotiation is a safety check on contracting agencies

of the government and is a means of skimming off excessive profits.

In the press of trying to get a job done in a hurry and the goods delivered on time, contracting officers can write terms into your contract that are liberal to the point of practically giving money away. Renegotiation is aimed at that very thing. The idea is to take a second look at the contracts and, in the light of history, consider what was a fair price per unit.

At the end of the last war, some \$190-billion in government contracts were reconsidered and renegotiation took back more than \$10-billion. The general rule was then (and still is) to leave profits about 10%.

YOU NOW HAVE a new law covering renegotiation—the Renegotiation Act of 1951 (BW-Mar.17'51,p30). The act says that if your total government business during the year was \$250,000, you come under renegotiation. But you're exempt if you were under that figure. You're also exempt if the contracts were only for agricultural commodities, timber, petroleum, and other minerals in their raw state. Contracts with common carriers and public utilities, with colleges and universities, and with states, territories, possessions, and foreign governments also are not renegotiable.

Contracts signed with any of the following agencies or with others as later designated by the President, come under the provisions of the act: Defense Dept., Army, Navy, Air Force, Commerce, General Services Administration, AEC, Housing and Home Finance Agency, RFC, and the Panama Canal. That takes in about everything except the Fish and Wildlife Service.

ACCORDING to the law, you submit a financial statement to the Renegotiation Board at the end of your fiscal year. All your government contracts (with the named agencies) are lumped together. The board looks over your statement. If there's evidence of excessive profits, you sit down with the renegotiation officers and review your business in the light of actual costs.

Unless you are legally inclined and have a lot of spare time on your hands, you aren't apt to do as well as you might on renegotiation. If your government business is sizable, it probably would pay you to hire a specialist.

Just what constitutes "excessive" is not spelled out in the Renegotiation Act. Factors taken into consideration are: reasonable costs, efficiency, extent of risk, reasonable return on net worth, and the nature of the business.

If you can't agree with the renegotiation people, the Renegotiation Board will set the amount and date for recapitulation by the government. You have up

to 90 days to file an appeal with the U.S. Tax Court. The court's ruling is final.

VII. Contracts' Windup

YOUR CONTRACT can be terminated at the convenience of the government, because of obsolescence, differences in war operating conditions, or changes in regions of conflict. For instance, if you were making tropical helmets and the war shifted to the Arctic, your contract would probably be terminated. Another example happened recently when a shift was made from the 2.36 model bazooka to the 3.5 model.

Your contract will have termination provisions that will supply you with full instructions should you receive a termination notice. Generally, the provisions require that (1) you stop work immediately; (2) order no more materials; (3) terminate orders and subcontracts under the terminated prime; (4) assign to the government the right and title to orders and subcontracts under the terminated prime; (5) transfer title to the government for incompleting work; and (6) safeguard government property still in your possession.

THE GOVERNMENT will pay costs expended. They'll try to reach an agreement with you on items cancelled. And they'll clear your plant as rapidly as possible. Contract settlement officers from the government are guided by the Contract Settlement Act of 1944, Public Law 395, 78th Congress. That law held that settlement was final and conclusive on both parties.

But, like everything else regarding government procurement, termination settlements have to pass through the acid tests of the General Accounting Office. GAO may post-audit your termination where it believes there is a suspicion of fraud. Just how long you have to wait for final settlement depends on the size of your contract and the amount of government assistance you've had in the way of tools and plant equipment. Usually, termination is a 45-day process on the part of the contracting agency.

VIII. Try Subcontracts

THOUSANDS of companies in World War II never got a contract from Uncle Sam, but they were up to their ears in war work nonetheless. That's because they were called on by the prime contractors to do part of their work—making component parts, supplying raw materials, or building subassemblies.

In unusual cases, the Army selects subcontractors and even enters into negotiations between the prime contrac-

tor and his subs. When an allotment for arms output is made, the military services will see to it that needed industrial facilities are used on subcontracts, if not on prime contracts. During World War II, for example, the Plymouth auto plant in Detroit was loaded with a variety of subcontract work.

The procurement bosses encouraged subcontracting right from the start then. They are doing the same thing now. Subcontracting is usually looked upon as an aid to small business. But it is a device that many large companies depend upon, too, in order to share in the mobilization program.

A GOOD MANY businessmen knock themselves out trying to snag prime contracts. They don't seem to realize that doing business with the government through a prime can often save a lot of headaches and trouble.

Besides, there's no reason why a piston-ring maker, for example, should start a selling push for a shell-casing contract when there's an equal need for piston rings going into Army trucks. Do this before attempting to shift into something entirely alien to your normal production: See if there's a prime contractor who can use your product, or a similar one with only a minor variation or two.

Each day, the Commerce Dept. publishes a list of government work on which bids are invited. Each week Commerce summarizes prime contracts awarded. The prime-contract list is a big help for picking up subcontracts.

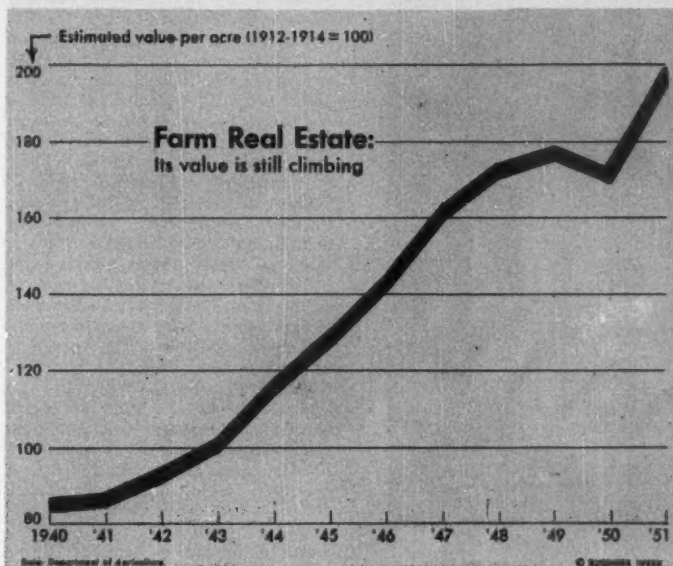
Another way to learn about contracting opportunities is to visit one of 62 sample display and procurement information centers. There you can actually see the end items the Army is buying and a breakdown of the components.

IT WILL STILL take selling to get government business, whether it's directly from a military service or indirectly from a prime contractor. And it will always be your responsibility to see that you get a contract you can fulfill without losing money or your mind.

REPRINTS AVAILABLE

Single copies of this Report to Executives will be available in about three weeks to BUSINESS WEEK subscribers upon request without charge. Other copies will be billed at the following rates: 1 to 10 copies, 20¢ each; 11-100 copies, 16¢; 101-1,000 copies, 12¢; over 1,000, 10¢. Address orders for reprints to Reader Service Department, Business Week, 330 West 42nd Street, New York 18.

INVESTMENTS



Farms — Inflation Insurance

But you have to know what you are doing. And that probably means getting the help of a professional manager. You'll need at least \$40,000 to start with—\$100,000 is better.

The average value of farm land in the U. S. jumped 14% from Mar. 1, 1950, to Mar. 1, 1951. Between 1941 and 1949 it more than doubled (chart).

• **Back to the Farm**—It is this sort of thing that has nourished the widespread belief that farm real estate is a pretty good hedge against inflation. And more and more big investors, going on that theory, are putting money into farm land. Close to a third of all farms sold these days are bought by nonfarmers.

There are some good, economic reasons behind this. For one thing, all the experts agree that the world will be critically short of food for a good many years to come. That means that the producers of food are in the saddle—and are going to stay there. A second factor is that farmers in this country get, and will continue to get, a break from the government in tax treatment and price supports. The man who invests in farms cashes in on these benefits of the farmer's political power.

• **Not All Improve**—But the fact that the average farm has zoomed in value doesn't mean that all farms have followed that trend. During the past year, for instance, the average value in Ohio,

Indiana, and Florida was up 20%, as compared to the 14% national average. But in New York, New Jersey, Vermont, and Idaho, the average rose only 5%; in New Hampshire only 4%. And in Maine it actually dropped 5%.

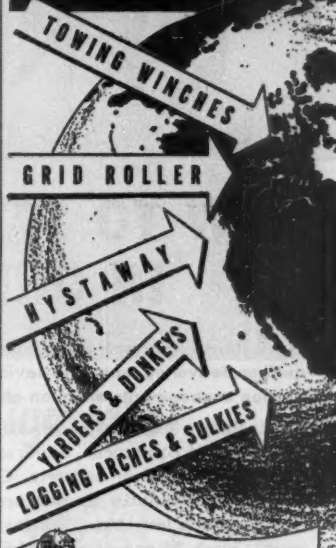
Even a good farm in a time of rapidly rising prices will depreciate in value if it's improperly managed—if crops are not scientifically rotated, soil isn't properly fertilized, erosion goes unchecked, and fences and buildings are allowed to fall into disrepair.

• **Get Advice**—The warning is obvious to the urban investor who wants to buy a farm strictly as an investment and an inflation hedge. Knowing little or nothing about farms or farming, he should not buy or try to operate a farm without expert help—any more than he himself would advise a person who knew nothing about the stock market to buy and hold stocks without expert counsel.

Just as there are investment counselors to turn to when buying securities, there are professional farm managers who will manage farm properties for investors who are not farmers.

• **Farm Manager's Service**—A farm manager is prepared to offer a variety of

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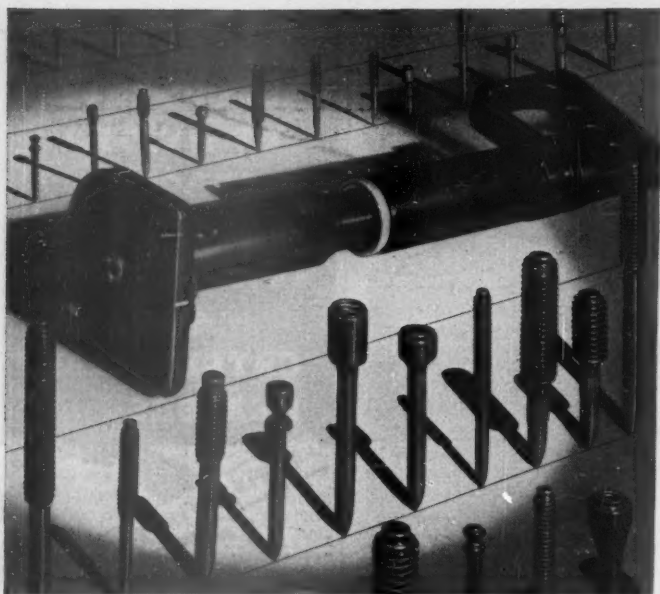
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When the military and your civilian customers are clamoring for quicker deliveries, any time-saving method of getting more production sooner merits attention of management.

For instance, before you can utilize new buildings, extensions, facilities and equipment, hundreds of fastenings must be made, usually into steel or concrete. Old-fashioned methods take at least 15 man-minutes per fastener. Modern, high-speed RAMSET SYSTEM needs less than $\frac{1}{7}$ of the time. This 7 to 1 ratio saves a week's work in one day. Furthermore, RAMSET releases scarce man power for other work, cuts costs in proportion to time savings, and is far less fatiguing than other fastening methods.

The portable, lightweight, self-contained RAMSET TOOL does the work. It sets instantly, into steel, concrete or other suitable materials, any of 76 alloy steel fasteners, to complete in a jiffy almost any structural fastening job.

Ask for details and demonstration of how RAMSET SYSTEM saves time on building and maintenance work and gets production started, sooner.

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services to the absentee landlord. First of all he helps select the farm. This is exceedingly important; it's easy to get rooked if you don't know your way around. In northern Indiana, for instance, two of the soil types are known as Maumee and Newton. To the untrained eye, they look almost alike. But Maumee is a sandy loam of considerable depth, usually sweet, and very productive if well drained. Newton, on the other hand, is shallow, acid, and usually not worth half so much as Maumee.

Once you have bought the property, the manager will pick the tenant farmer, draw up an over-all, long-range master plan, and supervise farm operation. He will also buy your supplies and buy and sell grains and livestock. He keeps complete records and submits regular reports.

• **Trained to Manage**—The typical professional farm manager was born and raised on a farm, has a degree from an agricultural college, and has had several years of practical farm experience after college before getting into management. A lot of people have the idea that farm managers are out only to turn a quick dollar for themselves on the operation of the farm, with no regard for the condition of the soil or the future of the farm. Actually, most of the real professionals take pride in upgrading the properties they manage. Floyd E. Elliott, founder and president of Farmcraft Service, Inc., Oxford, Ind., puts it this way: "Unless the management is improving the farm, it's not doing its job."

• **Code of Ethics**—To maintain their standards the professional managers have set up the American Society of Farm Managers and Rural Appraisers, with headquarters in Storm Lake, Iowa. Like other professional associations, it has formulated a code of ethics. And like qualified accountants and others, it awards a title—Accredited Farm Manager—to members of the profession.

• **What It Costs**—Management fees vary. Sometimes they are based on a fixed annual amount per acre; this can vary all the way from 50¢ to \$3 or \$4. Sometimes they are a percentage of the owner's gross receipts. And sometimes they are a combination of a smaller flat charge plus a smaller percentage.

The size of the fee depends in part on the type of operation. There are four major kinds:

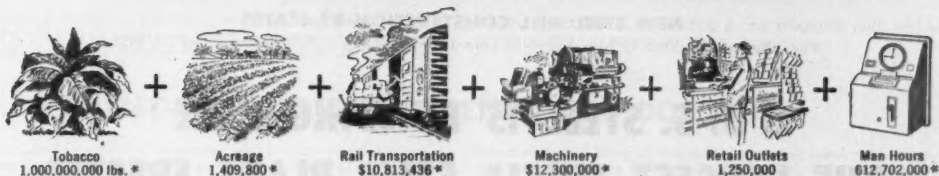
(1) Straight cash rental, in which the owner gets a fixed amount of cash each year from the tenant and has no interest in the output of the farm. This is usually not very satisfactory.

(2) Grain lease, under which the tenant owns all the machinery, and the livestock if any. Owner and tenant divide the cost of producing crops, and each has a half-interest in all crops produced. The tenant pays the owner cash rent for pasture land used for livestock.

(3) Livestock lease, under which the



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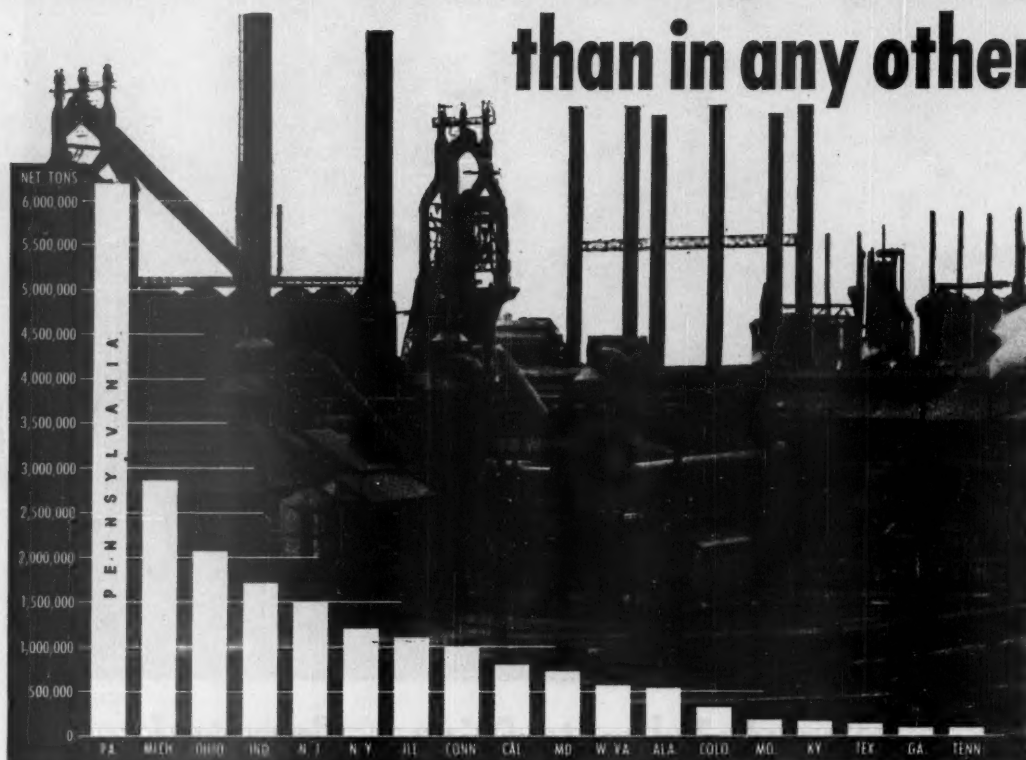


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More new steel-making capacity than in any other



NEW STEEL MILL CONSTRUCTION BY STATES

These figures compiled by Iron Age cover period from January 1, 1950 to December 31, 1952.

U. S. STEEL IS BUILDING HERE THE LARGEST SINGLE STEEL PLANT ERECTED ANYWHERE SINCE WORLD WAR II

On the banks of the Delaware, at Morrisville, Pa., above Philadelphia, United States Steel is building its first Eastern Seaboard mill—the Fairless Works. This will be a complete steel plant—a wholly-integrated plant on 3800 acres which will add another 1,800,000 ingot tons to America's steel capacity.

It will produce a wide range of finished products. It will involve an investment of over \$400,000,000.00.

There will be a coke and coal chemical plant, two blast furnaces, nine open-hearth furnaces, and strip mill, bloom-slab mill, billet mill and a bar mill.

National Tube Company, a U. S. Steel subsidiary, will erect facilities for producing steel pipe.

The new mill will have docks for ocean-going vessels and will be able to utilize ore from Venezuela and other foreign and domestic ore.

More than 4,400 people will work at the new plant in the beginning. Private builders are planning thousands of homes for the workers in the Morrisville area.

U. S. Steel Has Just Completed a Program Adding Another 1,000,000 Tons to Its Pennsylvania Plants

Additions to the company's plants at Homestead, at Braddock, at Clairton and at Duquesne involve another multi-million dollar investment in Pennsylvania.

is being built in Pennsylvania place in the world

✓ BETHLEHEM ENLARGES FIVE PENNSYLVANIA PLANTS

New construction at the Bethlehem Steel Company's plants at Bethlehem, Johnstown and Steelton, Pa., will increase the company's annual ingot capacity by 720,000 tons.

The company is also increasing the capacity of its wire rope

operation at Williamsport, and recent improvements have boosted the production of bolts and nuts and specialty products at its plant at Lebanon, Pa., which is one of the outstanding nut and bolt producers of the country.

✓ JONES & LAUGHLIN INVESTING \$290,000,000 HERE

Out of an expansion program of \$390,000,000, Jones & Laughlin Steel Corporation is putting \$290,000,000 into its Pennsylvania plants.

At its Pittsburgh Works, a vast expansion (extending a distance of over one-half mile along the Monongahela River) will make a net increase of 1,200,000 tons of ingot capacity.

This includes eleven new open-hearth furnaces, a new blooming

mill and a new bar mill.

At its Aliquippa Works, the company has just completed 59 new coke ovens, and is building new tin mill facilities and a new rod mill.

By these and other changes, J&L is increasing its ingot capacity in all steel plants from 4,846,500 tons to approximately 6,400,000 tons, or 32%.

✓ PITTSBURGH STEEL SPENDING \$56,000,000

This expansion program will increase Pittsburgh Steel Company's open-hearth capacity by 500,000 tons at its Monessen, Pa., plant, and will also mark this company's first entry into the strip and

sheet steel field. There will be continuous mills for hot and cold rolled strip and sheet steel, and a new blooming and slabbing mill.

✓ CRUCIBLE SPENDING \$27,250,000

Crucible Steel Company's new construction is mainly at its Midland, Pa., plant, where it will build a new blast furnace, and

new coke ovens, enlarge its open-hearth and electric furnaces, build a new bar mill, as well as improve many of its other mills.

✓ SHARON STEEL PLANS 5 YEAR \$50,000,000 PROGRAM

Sharon Steel Corporation has plans to expand and modernize its mill at Farrell, Pa., by adding another blast furnace, by replacing its present open-hearth furnaces with larger units, by adding to its

finishing equipment and adding a new blooming mill, and by a modernization program on all its facilities.

✓ ALLEGHENY-LUDLUM STEEL SPENDS \$50,000,000

Allegheny-Ludlum Steel Company, which just completed a three-year \$30,000,000 expansion program, at least \$25,000,000 of which was spent in its Pennsylvania plants, has launched another three-year \$30,000,000 program, at least \$25,000,000 of which is to be spent in its plants at Brackenridge, and at West

Leechburg, Pa. Most of this money is being spent to expand the company's facilities for finishing high-alloy steel products. This includes expansion of flat-rolled facilities by installation of new hot and cold strip and sheet mills.

Steel is so important to so many manufacturing operations that there are good economic reasons why you will want to be close to steel-making plants. Because of the recent vast expansion of steel plants in Pennsylvania, many companies which use steel or which serve the steel industry are negotiating for new plants of their own in Pennsylvania and many have already announced definite plans for construction, especially close to the new Morrisville plant. There are about 110 steel plants in more than 70 cities and towns all over Pennsylvania. It will be to your advantage to put one or more of your plants in this area.

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safety engineer, claim man, underwriter and other "team" members. The superb "Performance in Action" of your Employers Mutuals "team" is aimed at these goals: Reducing accidents and disease, safeguarding human and material assets and helping you earn lower premium rates. These benefits are in addition to dividends regularly returned to you as an owner-policyholder of Employers Mutuals!



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EMPLOYERS MUTUALS of WAUSAU

"...\$40,000 is the minimum for reasonably full efficiency of a single farm unit..."

FARM INVESTMENT starts on p. 101

tenant and owner each has a half-interest in the livestock, feed grain, and all machinery related to livestock, such as feeders. Owner and tenant divide the costs of both crops and livestock and split the income from them.

(4) Direct operation, in which the owner owns everything on the farm and operates with hired help. This works out only with very large-scale operations. It occurs only rarely in the corn and wheat belts, but is common in the South.

• **Where and What to Buy**—All this is pertinent, however, only after you've bought your farm. And Elliott and many other managers insist that buying is one of the most important facets of the whole problem. There are several basic factors that you have to consider.

One is the amount of money you want to put into your farm—and that means your total, not just your initial investment. If it's less than \$40,000 to \$50,000, you might just as well forget about the whole thing—that's the absolute minimum for reasonably full efficiency of a single farm unit. And \$100,000 or more is considerably better from the efficiency standpoint.

• **Three Objectives**—Even more important, what's your investment objective? Elliott divides the possibilities into three categories. (1) Is your primary interest in regular income—with capital gain (except for the inflation-hedge factor) secondary? (2) Or can you wait a while for income, and take some risk, if you see the prospect of higher income and additional capital gain in the future? (3) Or, in the interest of tax saving, would you prefer to have no income at all and realize a large capital gain some time in the future?

In the first case, says Elliott, buy in the corn belt or the wheat belt. Get a farm with good soil, readily adapted to use of machinery, in a section that raises a variety of crops rather than just one.

About 90% of your investment will go for land. With a small investment (up to \$100,000), get a tenant on a grain lease; with a larger one, a livestock lease (here somewhat less will go into land, more into livestock, machinery, and improvements). With this setup, you can expect a yield of 2% the first year, rising to 5%-6% after the fourth year.

• **Go South**—If you're in the second group (combined income and capital gain), go South, to either the "black belt" of Mississippi and Alabama or the

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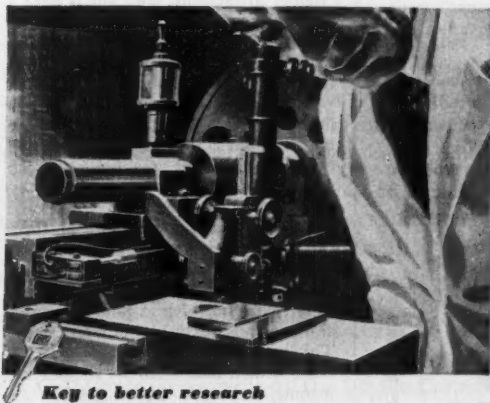
You'll find good reason to be proud you bought a GM car, both today and in time to come.



GENERAL MOTORS

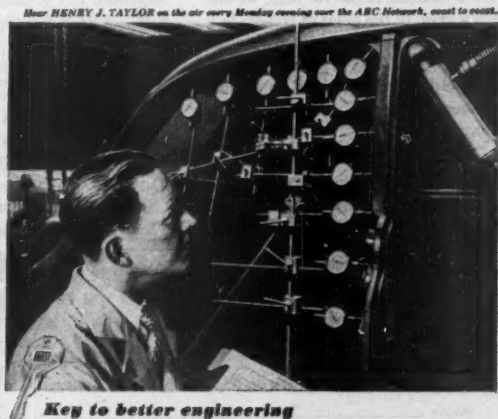
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RADIO CORPORATION OF AMERICA



"...In this case, you'll get little net income for the first three or four years..."

FARM INVESTMENT starts on p. 101

upper coastal plains of Georgia. Elliott is very enthusiastic about the agricultural future of the South. Among the advantages he sees are comparatively cheap land, reasonable taxes, available labor supply at reasonable rates, stable annual rainfall with good seasonal distribution, good soil, and a topography suited to large-scale use of machinery.

If you do go South, buy a farm whose soil is basically good but somewhat depleted from overplanting to cotton. Get one that's partially improved, but not in top condition. The objective is to put it into diversified crops, with the accent on pasture and livestock. This type of operation requires at least \$100,000 for efficiency, and preferably considerably more. Only about 40% goes into direct land cost. Of the rest, 5% to 7% will go into immediate improvement of fences and buildings, 10% to 13% into machinery, 20% to 25% into livestock, and 20% to 25% into a two- or three-year operating fund (a big part of this will go for seed and fertilizer).

In this case, you'll get little or no net income for the first three or four years; instead, you'll have a rapid improvement in the productive value of your land and in the value of your machinery, livestock, etc. In the long run, your income will be between 6% and 8% of your original investment. And you'll have a realizable capital gain considerably in excess of that due to inflation alone.

• **Cattle or Timber**—If you're in the third group (all capital gain, no income), you have two choices. You can buy land (again in the South) that's not suitable for crops but is suitable for pasture and raise livestock. Sell your bulls off each year, and use the income for expenses. But accumulate your heifers to build your herd, and sell off some of them every four or five years. They may still look like just meat to you, but once you've held them that way the tax collector looks on them as production machinery, and thus as part of your capital. This way about 30% of your gross income, which means almost all your net income, accrues as capital gain.

The other possibility is to buy even poorer land and plant it to timber. That way, you'll have no income at all for at least 10 to 15 years; in fact your current operating expenses will be chargeable against other income. When you do finally sell the timber, every cent of the profit will be capital gain.



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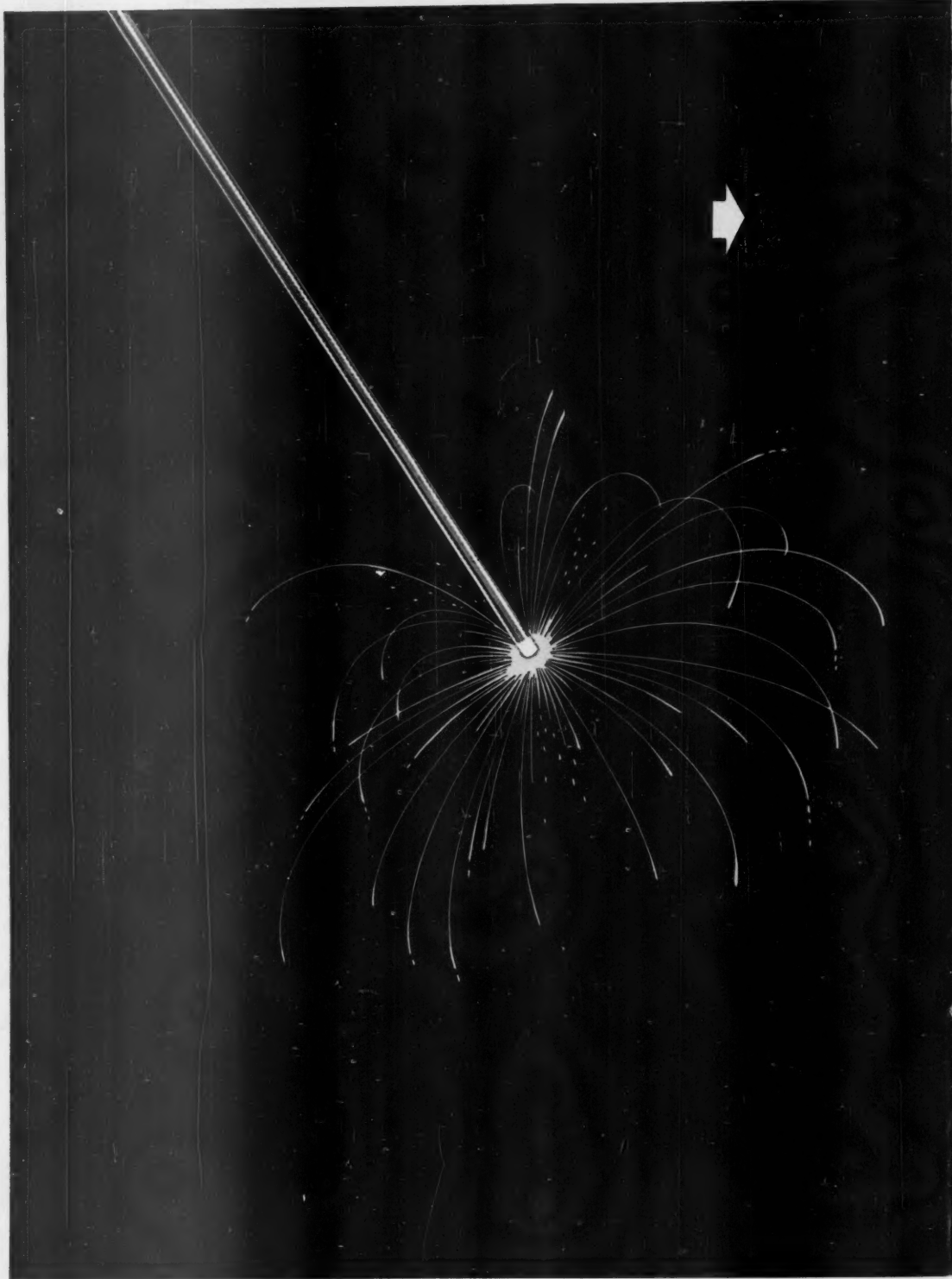
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And it is reassuring, in the light of today's production requirements and problems, to know that: *No country in the world has a business press that can compare in size, character, or ability to serve, with that of America . . .*

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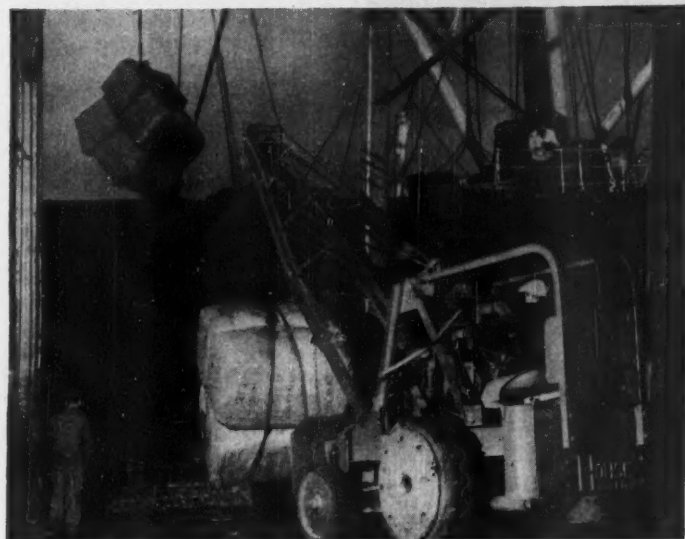
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COMMODITIES



AUSTRALIAN WOOL unloading at New York. Our share of it may get smaller with . . .

Raw Materials Scramble On

Washington parley of 25 nations draws a blank on setting up international allocations. As a result, U. S. industry may get a smaller share of world supply of vital commodities.

The international raw materials conference in Washington is a total bust. After four months of palaver, the 25 western nations led by the U. S. are about ready to adjourn, with nothing to show for it all but the naming of seven futile committees.

The conference failure adds a big black cloud to the already lowering skies for strategic metals, wool, sulfur, paper-pulp, and other commodities. They're going to get scarcer and more expensive. U. S. industry is going to have to get along with less; and western Europe will get a bigger share of what is available.

• **No Brass Ring**—One delegate to the conference describes it as "a merry-go-round with no brass ring at the end." Statistics have been collected, ideas and views-with-alarm swapped. Some delegates even foresee a full-blown crisis in late summer. But their one hard accomplishment was to recommend an allocation plan for sulfur—a commodity produced mainly in the U. S.

The merry-go-round came about this way:

• The producer countries, especially Indonesia, refuse to make any firm

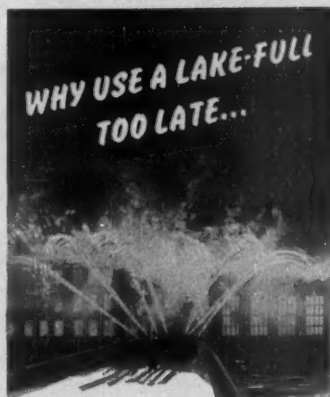
promises on supplies until they are assured of contracts with minimum prices—but no ceilings. And Australia's representative insists it's impossible to allocate wool if that means scrapping his nation's traditional wool auctions.

• **European consumer countries**, notably Britain and France, want the U. S. to accept a share-and-share-alike allocation system, even though the U. S. might be able to turn out defense equipment much faster.

• The U. S. delegates have balked at hard-and-fast commitments because they are still uncertain how much raw material is needed by the defense industries now gathering momentum.

The conference is about ready to fold, probably after passing along some sage advice on how to conserve supplies and expand production. There's little hope that the seven committees it has appointed will do any real allocating. That job, it is felt now, will have to be handled by some as yet unformed group.

• **Shortages**—Tentative statistics at the conference indicate that only quick intergovernment action could prevent these 1951 shortages: copper 20%; zinc



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A carelessly thrown match . . . perhaps a pile of oily rags . . . then the picture you see here . . . firemen pouring millions of gallons of water . . . enough for a small-sized lake . . . on the smouldering ruins of a once productive office. Unusual? No. It happens 800 times every day. Tomorrow . . . perhaps before this day is over, your business may be one of the 800.

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MODERN EARTHMOVERS

on rubber

speed roadbuilding



Until recently roads in the Belgian Congo have been constructed by native hand labor under supervision of tribal chiefs and direction of the Public Works Department. However, the modern contract system was recently successfully applied by the Public Works Division of Kasai for the construction of 186 miles of new all-weather road in the Lomani area.

Contract for this highway between Luputa and Kabinda was let to Societe Continentale et Coloniale de Construction. Work involves moving some 390,000 cubic yards of earth.

LeTourneaus cut time, cost

To build this road quickly and at low cost, SOCOL moved in the most

modern of high-speed earthmoving equipment consisting of three 13½-yard Tournapulle and 3 Tournadozers with 2½-yard blades. These revolutionary LeTourneau dirtmovers move at high speeds on giant rubber tires instead of the slow speeds of old-style, track-type tractors. They are now being used successfully in all parts of the world.

Tribesmen operate

SOCOL machines are operated by native tribesmen, many of whom have never before even seen any kind of tractor. Yet, with the simple electric controls, they maneuver these 33,000-lb. giants, maintain close grades and move earth at a rate comparable to skilled operators.

As a result, SOCOL will complete for the Public Works Department and the citizens of Belgian Congo a modern high-speed highway in far less time and at materially lower cost than would have been possible with any manual or other machine method of construction.

If you have dirtmoving projects to plan, get in touch with your local LeTourneau Distributor. He will be glad to place you in touch with contractor organizations who can put this high-speed equipment to work for you. You will find him a good friend to know.

Note the big loads! Modern Tournadozers have constant-mesh transmission, change speed without losing momentum. They push-load scrapers, level fills, handle short-haul dirtmoving, clear right-of-ways and pioneer jungle roads.



R. G. LeTOURNEAU, Inc.
Peoria, Illinois

15%; lead 10%; tungsten 40%; molybdenum 50%; manganese, nickel, and cobalt, at least 30%; pulp and paper 10%; wool 13% to 15%; sulfur around 20%.

Indonesia's opposition has prevented any study of tin and rubber. Serious shortages are expected in tin, but rubber, like cotton, is scarce only for the time being.

On almost all items, the prospect is even more dismal for 1952. And the price picture is also alarming. Here's what the global scramble for raw materials has done since the outbreak of the war in Korea (New York market prices):

	June 1950	Current Price
	(all prices per lb.)	
Copper	20¢	24¢
Lead	12¢	17¢
Zinc	13¢	18¢
Nickel	41¢	50½¢
Molybdenum	54¢	60¢
Sulfur	16½¢	21¢
Tin	79¢	\$1.42
Wool	\$1.60	\$2.80

These prices seem sure to go still higher if competitive bidding moves back into the void left by the abortive allocation plan. A lot of informed U.S. officials say that if that happens we will end up with less raw materials than we are getting now. They figure it will work this way:

- **Europe's Pull**—The producing nations won't want our dollars unless they can use them to buy machinery and equipment. When defense orders cut down production here, the raw material countries will turn to Europe, where industry won't be devoted so extensively to defense work for some time. Some think this trend will develop in the last quarter of this year. Many major American contracts for raw materials expire during the summer months; and foreign producers are expected to shop around before renewing, especially if U.S. price ceilings hold American bids below going prices.

- **Steps**—Everybody agrees that the situation is going to get worse before international action is finally taken, somehow. Some U.S. officials think the shock could be softened for U.S. and foreign consumers by these steps:

- A drastic cutback in U.S. stockpiling, which is already dwindling.

- A high-level group to allocate raw materials. The present conference packs too little weight.

- Empowering the U.S. to make a long-term bilateral deal to buy up as much Indonesian rubber and tin as possible. The U.S. could agree to place its purchases in an allocation pool.

- An intensive drive to boost production in underdeveloped areas, using Point 4 and other U.S. funds.

Tariff Slashes

U. S. manufacturers face brisker competition as Torquay swap brings import duty cuts on wide range of goods.

Beginning June 6, duties levied on 16% of foreign shipments reaching the U.S. will start going down—in some cases as much as half. The United States has agreed to cut tariffs again—for the third time in four years.

The latest tariff cuts, added to the 1947 and 1949 reductions will mean tougher competition for some American industries. They will also mean lower prices for consumers—if general price rises don't gobble up the difference.

In return, 17 western countries have agreed to cut their tariff charges on some 20% of American imports—but not nearly so heavily.

This newest tariff swap stems from a 34-nation trade conference in Torquay, England. Countries accounting for 80% of world commerce met for seven months to hammer out the concessions.

The U.S. cut its tariffs most; it is still trying to encourage imports from friendly countries in order to hasten their economic recovery. Now the reason has been broadened—to help them pay for rearmament.

German and Canadian competition will be hotter, especially for manufacturers of clocks, toys, wool yarns, china, porcelain, cameras, harmonicas, drawing instruments, aluminum, lead, zinc, cheese, canned salmon, plywood, chemicals, and whiskey.

All together, the U.S. has agreed to cut duties on 1,325 items, whose 1949 imports had an estimated value of \$478-million.

On the foreign side, 17 governments slashed tariff rates, or more often agreed to maintain existing duties, on a wide range of U.S. products.

These included wheat, flour, corn, cotton, tobacco, fresh, dried, and canned fruit, fruit juices, vegetable oils, canned meats, dried eggs, electrical machinery, motors, petroleum products, coal, coke, sulfur, borax, motion pictures, fountain pens, safety razors, nylon hosiery, and toilet preparations.

The value of American exports affected is estimated at \$1,057-million. On the surface this would look as if the U.S. got twice as good a deal as it gave. But the figure includes heavy American shipments of agricultural products that normally are not exported to these nations.

More than half of the American cuts were from 25% to 50%—the maximum allowed under the 1945 Reciprocal

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Today, with Ozalid on the job—a single girl processes 1,000 invoices a day, nine times as many as before! And she still has time left over for general billing and filing duties! What's more, the firm reports real savings in time and costs, and more satisfied customers than ever.

One Ozalid machine and one operator—now do the work that formerly required seven clerks!

Works Well With Systems Now in Use

Orders are processed just as before, except that salesmen now prepare their orders on sturdy, translucent paper (i.e., light can shine through) using either pen, pencil or typewriter. No other basic

change is necessary. So simple, easy!

Manual Copying Errors Eliminated

As L. W. Mansell, Strevell-Paterson's Treasurer, writes, "The number of customer complaints due to billing errors has been drastically reduced."

Like Strevell-Paterson, hardware firms everywhere are turning to Ozalid for speedy, versatile, economical duplicating. In the wholesale hardware industry, as in retailing and manufacturing, Ozalid meets the copying needs of firms that carry many items, process many invoices or service many customers.

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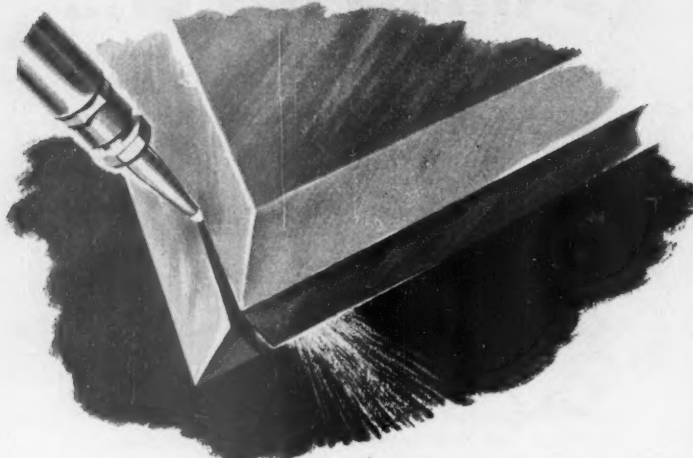
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preparation to $\pm 1/16$ " tolerance
with a flame!**



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Right now, the Acetogen Process is speeding vital defense work in the Philadelphia plant of Henry Disston & Son, Inc. Disston men are as amazed at the tremendous output of Acetogen Fabricators, as they are enthusiastic over the precision of their work.

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- No heavy investment needed; the Acetogen Process utilizes standard, readily-available, low-cost equipment and tools.
- Experienced flame-cutters become qualified Acetogen operators within a few days.

ACETOGEN
FABRICATORS, INC.

*Originators of
precision flame-cutting*

"... absent from the list of concessions was Britain along with its Commonwealth partners..."

TARIFF CUTS begins on p. 115

Trade Act. Few foreign reductions came anywhere near this level.

More than half of the concessions granted to the U.S. came from Canada and Germany, the latter participating in its first postwar trade conference. Other substantial reductions came from France, Belgium, Holland, Luxembourg, Austria, Turkey and Peru.

Minor concessions came from Korea, Brazil, Denmark, Italy, Norway, Sweden, Indonesia, and the Dominican Republic.

Noticeably absent from the list of concessions was Britain, along with its Commonwealth partners of India, New Zealand, Australia, and South Africa. Although it had agreed to cuts at Geneva in 1947 and at Annecy, France, in 1949, Britain balked at Torquay at lowering its empire preferences.

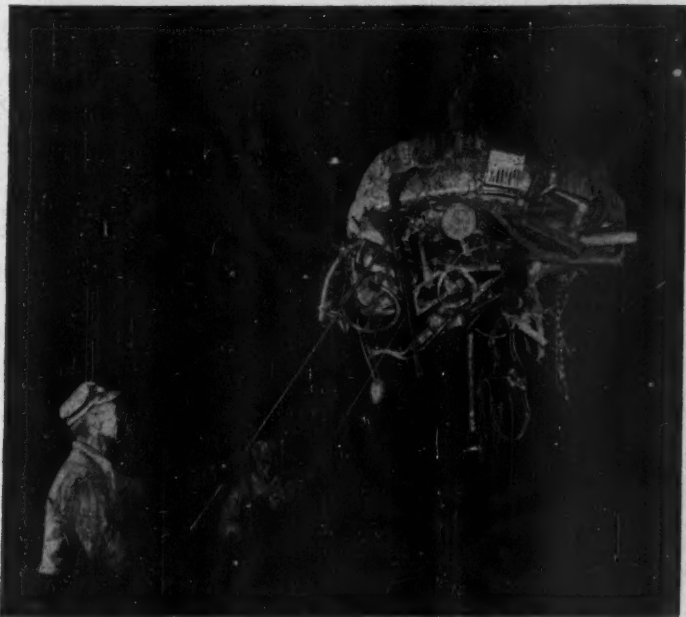
As a result the United States granted it no direct concessions. The British will pick up some benefits indirectly, however, because the U.S. extends its reduced rates to all countries indiscriminately—including even Communist bloc nations—under the most favored nation policy.

With their eye on the booming demand for minerals at home, American negotiators substantially slashed duties to encourage imports. Levies were cut in half on chrome, vanadium, thorium, strontium, boron, bismuth, lead, zirconium, barium, and silicon. In addition, tariffs on titanium, pig iron, ferro-manganese, zinc, and aluminum were cut from 30% to 50%.

Other key reductions made by the U.S. were on Turkish tobacco, Dutch flower bulbs, Italian earthenware, Belgian steel, cocoa and chocolate, French and Italian wines, Austrian imitation precious stones, Norwegian canned sardines, Italian cheese, French perfumes and lace, both Dominican and Peruvian sugar, and Belgian wool tops and carpets.

All in all, State Dept. officials admit that the Torquay tariff cuts are the last mass reductions likely to be made for a long time. That's because we are already close to the 50% ceiling set by the 1945 law. On 27% of all dutiable imports, we have already reached the ceiling; another 26% have been reduced from 30% right up to the limit. Only 33% of imports have not been touched at all.

FIGURES OF THE WEEK



OBSOLESCENT items clinging to magnet are vital to steel making.

TWELFTH OF A SERIES

Where Scrap Comes From

Practically everyone considers raw materials as things that are dug from the ground or that grow in the earth. But one of the most important of all is one that you don't mine or harvest at all in the usual sense. That's scrap steel.

• **Vital to Steel**—Today scrap steel is easily as vital a raw material as copper or rubber or iron ore. As one of the basic ingredients of finished steel, scrap is—even in a strict numerical sense—almost as important as pig iron; only a little less scrap than pig goes into the steelmaking furnaces every year.

In open hearths, the two ingredients are pretty much interchangeable; and while Bessemer's use pig exclusively, electric furnaces take almost 100% scrap. Ordinarily, the thing that determines exactly how much of each goes into an open hearth is the price the mills have to pay to get them. These days, with scrap and pig as short as they are, availability is the deciding factor.

• **Average Price Is Index**—This week's Figure of the Week is the price the mills pay for steel scrap. It comes from the magazine *Iron Age*, and it used to be a price that fluctuated from week to

week, even from day to day, with changes in the supply and demand for the material. In order to keep track of price changes in the various markets around the U. S., *Iron Age* got weekly and daily reports of quotations and deals from its correspondents. Then it averaged them out and got a composite price for the country, which is what *BUSINESS WEEK* uses. Today, though, the job of putting together an average price is a lot easier because scrap prices are controlled by Office of Price Stabilization, so they don't change—neither does the Figure of the Week.

• **Home Scrap**—Scrap that is traded in the market actually represents only about half of the 60-million gross tons (2,240 lb.) that feed the steelmakers' furnaces. The rest, called "home" scrap, never turns up in the market.

Home scrap is what is trimmed off ingots, billets, slabs, sheets, and practically every other form of steel while it is being produced in the mill. Steel companies simply collect it themselves and put it back into their own furnaces.

• **Purchased Scrap**—The kind of scrap that gets into the market, the kind

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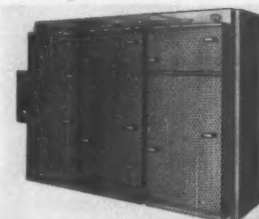


when DUST comes in the door... DOLLARS go out the window

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American Air Filter

COMPANY, INC.

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"...The telephone is the scrap broker's lifeline. Deals closed on it are binding..."

SCRAP STORY starts on p. 117

referred to in the Figure of the Week, is known as "purchased" or "dealer" scrap. This is the type that the scrap industry is concerned with. It is the kind that is generated everywhere else except in the steel industry.

The scrap industry divides purchased scrap into two classes: "prompt industrial" or factory, and "obsolescent." Prompt industrial is the byproduct of normal metalworking industry operations. Little steel is produced at the mills in exactly the right size for industrial use—except railroad rails, pipe, and some wire products like nails. Practically everything else, from sheets and bars on down, has to be cut to size, turned, bored, or stamped. As a result there is always a certain amount of scrap left over in the form of borings, turnings, or skeleton scrap from stamping operations.

• **Obsolescent Scrap**—Obsolescent scrap is what might be called junk, the stuff found in alleys, cellars, and barns. A lot more comes from salvaging operations such as demolition of bridges, buildings, ships, railroad cars, automobiles.

Railroads are about the biggest single producers of obsolescent scrap. Old cars, locomotives, switches, signals, and, of course, rails make up the bulk of it. Often when equipment is being cut down for salvage, piles of rust scale off its sides, and even that is collected and sold to the scrap industry.

The 6-million farms in the U. S. each use something like 25 tons of iron and steel in their equipment, fences, and buildings. And they are another big source of scrap every year.

Homes make a lot of obsolescent scrap, too. When a washing machine or icebox is too old to trade in, it will probably wind up in the wagon of the next junkman who comes by.

• **Starts the Cycle**—That junkman is one of the starters of the long process that takes scrap from the scrap pans of factories and the farmyards and backyards of the U.S. back into the furnaces from which it started.

Other starters are the factories, railroads, and farmers who call scrap dealers in to haul away their scrap every week or month. Most of the scrap generated in the U. S. goes to dealers on its way back to the mills. Dealers operate the scrap yards. Scrap funnels in to them from junkmen and from scrap "producers." They in turn prepare it—cut,

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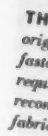


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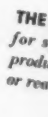
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bundle, clean, compress it—and then sell it through brokers to the mills.

• **Grades of Scrap**—Part of the business of scrap preparation includes grading it. Grades are based on the size of the pieces of metal, the type of metal, chemical composition, and the way the metal is prepared—bundles, compressed blocks made of small pieces, etc.

• **The Middle Men**—Brokers—as such—do not have yards. The broker has to be in close touch with the market at both ends. He has to know how much mills need immediately and in the future, how much they'll be able to pay, how much they have on hand. At the same time, he has to know how much is coming in to the dealers and how much they want to sell at what price.

• **Buy Low, Sell High**—When prices are down, dealers build up their inventories. Available scrap usually drops, too, because there isn't much incentive to clean out storerooms and cellars, and junkmen can't make much by collecting the stuff. But industrial scrap keeps coming in. So the dealers buy it and wait. When demand builds up and prices begin to rise, dealers start selling again through their brokers to the mills.

Actually, the distinction between dealers and brokers isn't so sharp as this. Some brokers operate their own yards and, therefore, are also dealers as well. And although one of the dealer's main functions is to prepare scrap using the equipment such as shears and compressors in his own yard, many large industrial plants have their own scrap preparation equipment.

Practically every steelmaker gets its scrap through this organized scrap industry. About the only exception is Bethlehem Steel, which has attempted to operate directly in the scrap market with its own yards. But even Bethlehem has had to go into the regular market for some of its scrap.

• **A Desk, A Telephone**—Few businessmen—unless they deal with them—know what a broker is or does. You can't identify them with cranes—assuming they don't operate yards. All they have is offices—with telephones. The telephone is the broker's lifeline. Deals closed on the phone with mills are binding. Brokers line up their scrap from dealers on the phone. In fact, all a man needs besides a lot of first-class contracts and connections among mills and dealers plus plenty of market and trading savvy is a telephone and a chair, and he's a scrap broker. But if he wants to do any business, the broker also needs a line of credit.

The broker sits midway between the mill and the dealer. Normally, when he gets an order from a mill for scrap, he picks up his other phone and offers to buy it from dealers at the price the mill has offered. The dealers then deliver the

scrap to the mill and get a cash payment of 75% or 80% from the broker. But the broker normally doesn't get paid by the mill for 30 to 45 days—so he has to use his line of credit to tide him over. When he does get paid, he collects the price of the scrap—the Figure of the Week—plus his commission—now limited by the price control law to \$1 per ton.

• **How Big?**—Scrap brokerage is big business, but it's hard to say exactly how big, because most of the brokerage firms started from small scrap yards or even from junk wagons and grew up, so they are pretty much close family-held concerns. But even though they don't talk figures much, everyone seems to agree that the biggest is probably Luria Brothers & Co., headquartered at Philadelphia. Luria handles well over \$100-million worth of scrap a year, and its profits probably run into the millions, too.

• **Crying Shortage**—Today the scrap situation is as tight as it ever has been. Demand for steel, and therefore automatically for scrap, is higher than it ever was. But there just isn't enough scrap to fill the bill. High equipment prices have meant that older machines are being made to last longer and therefore they aren't being scrapped. Tremendous quantities of scrap are scattered around the world on the battlefields of the last war.

Mills that normally carry a 60-day scrap stockpile are down to only two or three days' or weeks' supply. Industrial steel users are urged and sometimes required to ship the scrap they generate back to the mill that sold them their steel. So many mills are sure of a fairly fixed return—but it isn't enough. Small mills are feeling the pinch worst of all. In some cases, they are even giving finished steel in exchange for scrap.

• **Upgrading**—In other ways, too, the shortage has put pressure on scrap costs. In order to get more for scrap, some brokers will sell a car as, say, No. 1 heavy melting when actually it will contain some lower grade. This is called upgrading. If a mill needs the scrap badly enough, it will take it without complaining. A Chicago mill recently began accepting upgraded scrap when it was very short. But when its situation eased a little, it rejected 30 upgraded cars in one day and won't take any more now.

• **Scrap Drive**—The industry is currently carrying on an industrial and farm scrap drive to get every available pound of metal. It is asking that every obsolete machine be scrapped and every store-room be emptied of any salable metal. Besides that, it is turning to foreign supplies of scrap—especially war scrap still lying around. New supplies of iron ore will also take some pressure off the scrap market.

MARKETING

Floor Coverings Shift From Soft to Hard

Linoleum, felt base, asphalt tile, and plastic floorings threaten wool carpetings. They're cheaper—and acceptable.

There's a revolution going on underfoot. For more than a decade the nation's preferences in floor coverings have been changing. In general this has meant a swing away from the more expensive wool carpetings in favor of cheaper types of floor coverings, especially the hard-surface types. Since the war this trend, spurred by new developments in technology and housing, has been going faster than ever before.

• **Milestone**—Last week you could see a sign of the times in an announcement made by the oldest of all U. S. makers of hard-surface floor coverings. Congoleum-Nairn, Inc., announced that it will purchase Delaware Floor Products, Inc., pioneer maker of vinyl floor coverings.

This purchase will give Congoleum a ready-made wedge into the new and growing field of plastic floor coverings. At the same time it points up the growing importance of hard-surface floor coverings as a whole.

Here's a quick rundown to show how the battle between the major types has been shaping up:

Wool carpets and rugs: In 15 years the industry's over-all output has zoomed from about 50-million sq. yd. annually to about 85-million last year. Judged on a per family basis, however, the industry's performance is less spectacular. In that same period its annual production on a per family basis has wavered about the 2-sq. yd. mark.

Linoleum: Output has gone from about 25-million sq. yd. 15 years ago to an estimated 71.5-million sq. yd., which the industry expects to chalk up this year. Per family output has steadily increased from about 0.7 sq. yd. to about 1.6 sq. yd.

Felt base: Over-all output of this type (an asphalt-impregnated fiber coated with enamel) has climbed from about 128-million sq. yd. in 1935 to an estimated 264-million this year. Output per family has meanwhile increased from 4 sq. yd. to about 6 sq. yd.

Asphalt tile: Production was a mere 2.5-million sq. yd. in 1935. Last year, say industry sources, it hit 55-million sq. yd. or better. Output per family has leaped from a fraction of a sq. yd. to about 1.3 sq. yd.

• **Don't Compete Directly**—Despite what these figures seem to show, however, linoleum people will vehemently

deny that hard-surface coverings are in direct competition with wool rugs and other soft-surface types. They think that each type has its own special uses; they do not recommend the use of hard-surface coverings to replace a good wool carpet in, say, a living room. What they do say is that the hard-surface—they are sometimes called smooth-surface or resilient—floorings make an excellent foundation for a good rug.

• **Hard-Surface Advantages**—Nevertheless, the hard-surface people have been able to take advantage of some very favorable trends over the past few years.

A major trend that has helped the hard-surface types has been the development of the new architecture. Linoleum and similar floorings go well in the so-called ranch houses and in the other small, functional types of houses now being built. You no longer lose caste if you have linoleum in the living room. Since the 20's, linoleum and asphalt tile have come out of the kitchen. They have moved into bathrooms, then into the halls, then into spare rooms. Now you will find them in other rooms—including the so-called "TV centers" that have replaced the rumpus rooms of the thirties.

• **Do It Yourself**—Another major assist for the hard-surface industry has been the spread of the do-it-yourself movement. If you have linoleum laid by experts—and you pretty much have to—it costs you about \$2.25 a sq. yd. plus labor. But by buying 9x9-in. tiles of linoleum (about 17¢ each) or asphalt (about 10¢), you can do the job yourself with a pot of glue. More and more people are now laying their own flooring—of linoleum or asphalt tile mainly—and as a result the tile business is booming.

The rise of the do-it-yourself movement has been nothing short of sensational. One major asphalt tile maker figures that this year no less than 30% of his output will go into "self-installations." And tiles in turn have had a major effect on the design of linoleum sheet goods. The style trend today is definitely toward 9x9-in. squares.

• **Expanding Outlets**—The trend toward tiles has had still another effect, on the merchandising side of the business. Stores catering specially to home owners who want to do their own installations

are springing up. Furthermore, the trend has brought the department store back into the hard-surface picture. Department stores used to be the major factor in linoleum sales, but slipped back sharply as installation service became more important. Now with tiles—which are easy to handle and sell—they are regaining some of their lost ground.

• **Price Margin**—Last major factor—though far from the least—in the swing to hard-surface floorings has been price. Here wool carpets are in a vice. Wool rugs cost about 70% more than they did two years ago. Whether the situation will mend in the foreseeable future is doubtful, since the world faces a continuing wool shortage (BW—Feb. 24'51, p102). Wool-synthetic mixes are helping the wool carpet industry to keep prices down (BW—Sep. 2'50, p56). But here again there is a threat of rising prices. Rayon prices have gone up, and there is also the question of whether the carpet industry will be able to get all the synthetic materials it needs. Hard-surface flooring prices, on the other hand, have stayed fairly stable over the past decade.

To some extent the cotton rug industry has filled the lower-price gap left by rising wool carpet prices. There is no doubt that the cotton rug business is growing by leaps and bounds—but just how much cannot be pinned down in cold statistics.

• **Asphalt Tile Gains**—Price has worked very much to the advantage of hard-surface coverings, particularly asphalt tile. It has been widely used in lower-cost housing developments and in commercial installations, where it has given even linoleum a stiff run for its money. You can lay asphalt tile right on top of concrete. That's a big advantage with today's predominant concrete slab construction. Asphalt tile got its big start in the war when you couldn't get linoleum. Today it's a fiercely competitive business. Note that when flooring prices generally rose after Korea, asphalt tile prices stayed where they were. Competition kept them there.

Generally regarded as the biggest manufacturers in the asphalt tile business today are Armstrong Cork Co.; Kentile, Inc.; Johns-Manville Corp.; Flintkote Co. (Tile-Tex)—the Big Four of the industry.

• **New Market for Felt**—The felt base coverings have also benefitted greatly price-wise. These are the least expensive

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of the yard goods (about 79¢ a sq. yd.)—don't have to be installed. Some observers in the field attribute their greatly increased sales to the fact that with upgrading of incomes more people can now afford floor coverings of some sort. So lower-income groups have been buying felt base coverings for the first time. There's been a style change here, too. Congoleum reports that the simulated rug designs with border—familiar to rural regions for decades—used to account for the bulk of its felt base sales; now it's down to about 50%. All-over designs that look like linoleum are now more popular.

• **Plastic Potential**—The postwar entry in the hard-surface field is the new plastic type of flooring. There has not been enough time to build up much volume. But many in the industry look on the plastics as an important potential factor in the field. Already three of the four major manufacturers of hard-surface floor coverings have gone into plastics: Congoleum, second-biggest producer of hard-surface coverings; Sloane-Blabon Corp. (subsidiary of Alexander Smith & Sons Carpet Co.); Pabco Products, Inc. Only major producer at present that doesn't make a plastic covering is Armstrong Cork Co., the nation's No. 1 manufacturer of hard-surface floor coverings.

There are several types of plastic coverings. Sloane-Blabon came out with Koroseal tile about five years ago. This is generally referred to as the "Cadillac of the industry." Cost is about \$1.25 a sq. ft. installed. Flor-Ever, which was introduced by Delaware Floor Products in 1947, is competitive in price with linoleum.

Flor-Ever consists of a vinyl sheet backed by felt. The color is not printed on; it permeates the sheet, as with in-laid linoleum. There are other types on the market. In some, a plastic surface is used to protect the color and design underneath.

• **Congoleum Experiments**—Congoleum has also been experimenting on its own with plastic coverings (it will embody some of its findings in the Delaware line). Some linoleum people still take a cautious view of the new development. They want to be sure all the bugs are out (plastics are apt to expand considerably in hot weather, for example) before they plunge.

In deciding to purchase Delaware, Congoleum was influenced by a consumer survey on plastic flooring products. It found that they have gained wide acceptance. Another factor in the purchase was the fact that it speeded up Congoleum's entry in the field. According to Congoleum's president, F. J. Andre, it puts the company "in the plastic field ahead of our original time, which had called for plant construction."

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Used Car Slump

Lack of six- to nine-year-old cars in lots causes buyers to shop for low-profit prewar jalopies. Dealers wail.

The used car market traditionally moves in step with the market for new cars: When demand for new cars is up, used cars bring better prices. But so far this year it just hasn't been working that way.

While new car sales were going at a record-breaking pace, used cars rocked along at a level barely even with last year. And you could hear the howls of anguish on any used car lot. Though dealers have long shown an inclination to holler before they're hit, they may have something to cry about this time.

• **Age Gap**—Statistical averages of car ages have overtaken the used car business. There are no six- to nine-year-old cars on the road—they weren't built during the war years. So people who have less than \$500 to pay for a car find themselves able to buy a prewar model, but unable to make the big price jump into the postwar model class.

A low-cost buyer ordinarily would jump year-to-year when he felt able to get a better car; now he finds he has to jump from 1941 or 1942 models to 1946. It's too much for his pocketbook. So he hangs onto his old car longer or shops around for a prewar car in better condition.

• **Distorted Prices**—Some odd twists have emerged from this statistical pattern. People are hanging onto jalopies about three years longer now before scrapping than they did in 1941. Prices of 1940 and 1941 models, bid up by demand, are way out of proportion to normal prices for 10-year-olds. Similarly, prices of 1946's and 1947's, the next price classes, are also out of line. Comparatively, the best bargains on used car lots today are the latest models—which, oddly, aren't selling at all.

• **Credit's Too Tight**—The one-third-down-and-15-months-to-pay requirements of Regulation W seem to be large factors in the slump in sales of late-model cars. This is one reason why cars costing less than \$1,000 are doing well, while those costing more are getting dusty on lots. Customers can't raise the higher down payment.

• **Trade-In's Too Easy**—But Regulation W is only one element in the over-all picture. Since Korea, new car dealers have moved into used car sales; they now handle roughly 60% of the business, compared to about 40% before Korea. Because of their active new car

business, they've been able to give a better break on prices in selling trade-ins—and used car dealers have had to match those prices. Since March, stocks of new cars at dealers' have risen slightly. That has precipitated even more liberal terms on trade-ins as a measure to speed up sales. This profit shaving has undercut the used car dealers still more; they in turn have had to shave profits.

• **Signs of Slump**—Used car sales so far this year in Detroit are at an almost identical level with last year. But unit volume isn't what makes dealers unhappy; it's profit per unit that bothers them. Auction or wholesale prices have slipped steadily since January, although the trend turned a bit this month.

The price slump has been at a rate of about \$50 a month—not an alarming drop. With summer nearby, dealers hope they've seen the bottom.

Druggists Propose Bill To List Prescribed Drugs

Retail druggists want a law. The Food & Drug Administration has been cracking down on them for refilling doctors' prescriptions without getting the MD's approval. There's a lot of confusion because the same drug may be classed by one drug maker for sale only on a doctor's order, by another for sale over-the-counter without prescription.

• **Legislation Proposed**—The druggists are proposing legislation that would authorize FDA to list, by name, the drugs that may be sold only on prescription. All the rest could be sold freely.

A bill of this effect—sponsored by Rep. Carl T. Durham and Sen. Hubert T. Humphrey—is now in committee. It was drafted by the National Assn. of Retail Druggists, with FDA lending a hand.

The new bill would also give druggists a clear legal right to fill or refill prescriptions phoned in by a doctor. Only exceptions: sleeping pills and narcotic prescriptions; these would still require written prescriptions.

• **Objection**—It's generally agreed that the bill would boost the volume of drugs sold without prescription. But there's a fly in the ointment: The drug manufacturers, spearheaded by the American Pharmaceutical Manufacturers Assn., are opposed to giving FDA authority to list the drugs limited to sale only on an MD's order. They claim this would interfere with medical practice.

• **Compromise?**—Upshot will probably be a compromise. It may well affect that part of the bill that permits FDA to include in the prescription list drugs that are not unsafe for use without a doctor's direction but simply ineffective without his supervision.

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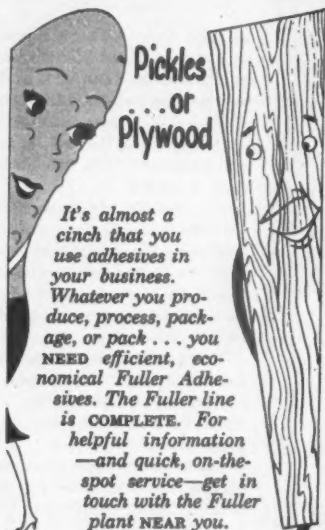
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RUM FOR THE U. S.: Puerto Rico vs. Virgin Islands

Proof Gallons

	From Puerto Rico	From Virgin Islands
1940	1,445,306	383,810
1941	2,586,273	641,854
1942	2,745,322	808,125
1943	5,620,713	1,725,533
1944	6,740,500	2,661,195
1945	2,909,143	931,520
1946	4,610,512	688,945
1947	511,841	204,583
1948	526,250	136,390
1949	1,107,301	457,286
1950	1,332,443	627,792

Data: U. S. Dept. of Commerce for 1940-1949; Distilled Spirits Institute for 1950.

©BUSINESS WEEK

Rum Imports Rise; But Not Drinking

Tie-in methods of distribution are getting the liquor into dealers' hands, where a good bit may remain as inventory.

The liquor industry is rubbing its eyes over the sharp comeback of the Virgin Island rum business—and all without benefit of fanfare. It's made a stronger recovery from its postwar dip, comparatively speaking, than Puerto Rican rum, which has had a million-dollar-a-year promotion program to fatten on.

In 1950 imports of Virgin Island rum rose to 627,792 proof gallons—up 37.3% over 1949. Puerto Rican rum imports last year came to 1,332,443 proof gallons—up only 20.3% over imports in 1949.

• **Tie-Ins Get the Blame**—Tie-in sales with Scotch, which developed following the outbreak of the Korean war (BW—Mar.17'51,p116), are credited with the over-all gain in rum imports from both areas. If retailers have had to buy several cases of rum or cordials with every case of certain brands of Scotch—and last year's imports of Scotch jumped by about 1-million cases—quite a lot of rum changed hands. A good bit probably became inventory.

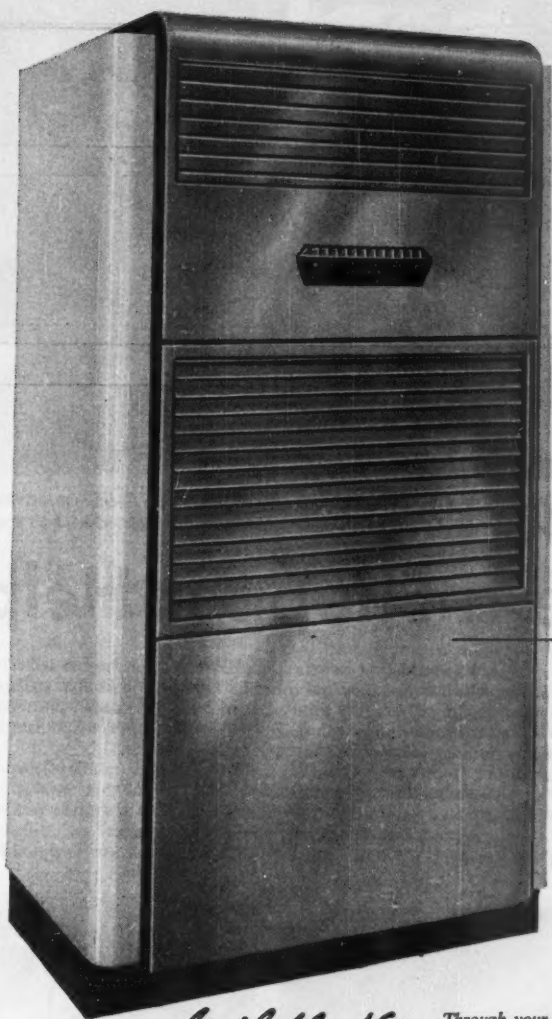
For the increase in imports doesn't mean that the U. S. public is changing its drinking habits. Actual rum buying by consumers was virtually unchanged last year. Monopoly state sales figures show that 205,416 cases of all rums were sold in 1950, compared with the 215,034 cases that were sold during 1949. Puerto

Rican rum shows a minute gain in the monopolies, with sales going from 117,411 cases in 1949 to 123,711 cases in 1950.

• **Free Ride for VI**—Observers in the field think that Virgin Island rum is getting a free ride on the coattails of the Puerto Rican promotion program. Few Virgin Island brands are well known in the U. S., as compared with the many Puerto Rican brands that are advertised nationally. The price factor doesn't seem to be involved, since it's a tossup whether the lowest-priced brand you'll find in your liquor store is Puerto Rican or Virgin Island rum.

• **Criticism of Campaign**—There's been a lot of wrangling from time to time over the course of the Puerto Rican promotion (BW—Dec.10'49,p52). A part of the industry felt that the promotion had failed to (1) give consumers any specific reason why they should buy Puerto Rican rum instead of other types; and (2) help consumers identify PR rums out of the many rums with Latin American names now crowding retailers' shelves.

As far as the industry is concerned, it would like to be able to see some tangible evidence that more people are drinking rum now. Industry officials maintain that over-all figures during a period of tie-in sales don't mean anything at all.



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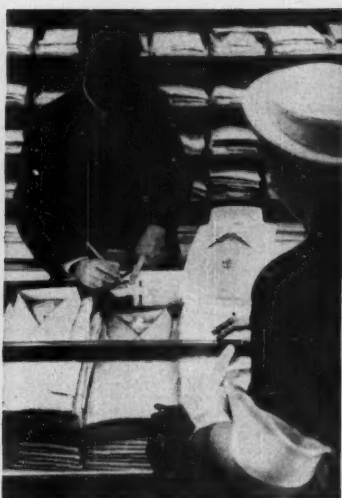
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CUSTOMER gets strip of stickers at start of buying tour through Altman's, White Plains.



NEXT STOP, men's shirts. Sticker assures that all packages will be at rendezvous.



HOSIERY is on another floor. But another sticker will play role of shepherd dog.

How to Make a Shopper Help —

A store can save a lot of money and trouble if it can persuade its customers to carry their packages home. If it can make the customers like it, that's pure gravy.

B. Altman & Co. thinks it has found the key at its fancy modernistic suburban branch in White Plains, N. Y. What Altman's does is give the customer some luxurious-looking service. In ex-

change, it saves packaging, delivery, and breakage charges, which most stores find average out to a startling 25¢ to 30¢ per package for even the tiniest purchase.

The Altman gimmick is keyed to the habits of suburban housewives. Generally, they go shopping in cars; there's usually a sizable gap between the door of the store and the parking lot. Also, the housewife has saved up a lot of shop-

ping. By the time she has collected all her packages she looks like a Christmas cartoon of an overloaded postman. For her, the obvious answer is to have all the packages delivered.

To change her mind, Altman's has worked out a deal that ends up with a ride in a chauffeur-driven station wagon, courtesy of the store.

When the shopper makes her first



DUMBBWAITER brings all the packages to the delivery desk. Mrs. Suburb has presented her claim check. Must she lug off her loot? No, the store has provided . . .



CHAUFFEUR, who loads them in company station wagon, drives to the parking lot.



FOLDING CHAIRS are sold on outside balcony. But don't worry, Mrs. Suburb, this package will join the others patiently waiting until you have finished.

and Like It

purchase, she is given a strip of stickers. As she wanders around, buying this and that, a sticker goes on each package. The shopper can forget about them for the time.

Thus unburdened, the housewife blithely completes her rounds. When the last swatch is matched and the last needle bought, she heads for the delivery desk and presents her claim check.

Out comes a mountain of packages; up pops a chauffeur.

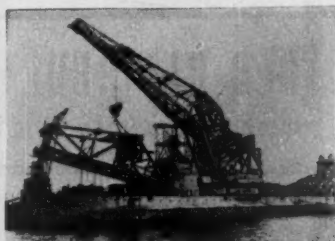
Housewife and packages are stowed in a polished station wagon. (If it's a rush time, as many as four housewives and package mountains may be taken aboard. The chauffeur then drives to the store's parking lot. Shoppers and bundles are unscrambled, each ushered into her appointed car.

The shopper doesn't have to use the sticker-and-chauffeur service. If she likes, the packages will be sent by the usual United Parcel Service. Or she can even lug her own bundles around. Mostly, she



STORE'S CAR takes customer and packages right to her own car, where the chauffeur tends to stowing chore. It's all a plan to get shoppers to take their purchases home.

MATERIALS HANDLING BRIEFS



Oceangoing crane, erected by Wellman on old battleship *Kearny* hull, expedites handling of giant pieces in port. One man controls all operations: rotating the entire structure, operating main hoist, auxiliary hoist and trolley, and "luffing" the boom. Ship sails with crane boom locked in position in cradle at stern.



From ore freighter to stockpile is one continuous motion with Wellman Hulett-type Ore Unloader and Stocking Conveyor. Unloader scoops up ore with huge bucket, dumps it into hopper, and onto conveyor belt. With Wellman equipment like this, big freighters are now unloaded in a matter of hours.



Davy Jones' locker is used as a storeroom for extra gate sections on the Welland Canal. When gates are needed, Wellman 500-ton gate lifter hoists heavy sections from the bottom, places them in position. Whether the need is for machinery to handle heavy bulk materials, or specialized steel mill equipment, Wellman will build it . . . better. The Wellman Engineering Company, 7000 Central Avenue, Cleveland 4, Ohio.

Wellman will build it!

WELLMAN
ENGINEERING COMPANY-CLEVELAND

*Patterns in
Pensions*

YOUR RETIREMENT PROGRAM

SHOULD BE GEARED TO YOUR COMPANY EARNINGS

IF your company EARNINGS ARE STEADY

Your company probably can afford the permanent commitment of an adequate pension system.

IF your company EARNINGS ARE ERRATIC

Your company probably can best solve the retirement problem through a deferred profit-sharing trust—or a combination of a modest fixed pension commitment plus a profit-sharing retirement plan.

FIND OUT what plan BEST fits your business

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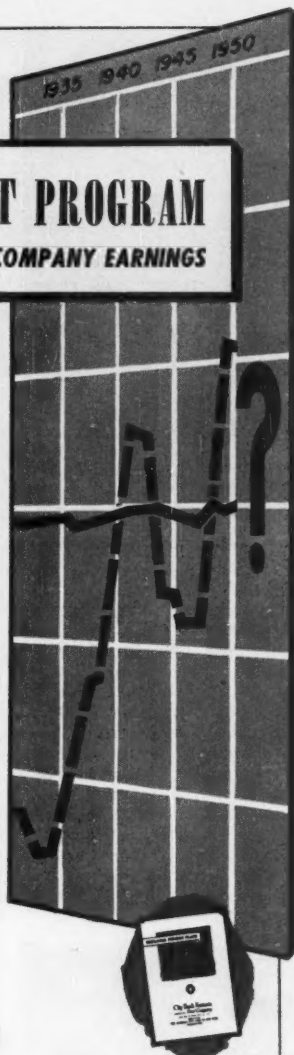
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ESTABLISHED 1812



prefers the chauffeur deal, according to Altman's experience since the service was set up last week.

Of course, the method won't work for all the suburban branches of department stores that have been mushrooming in the past decade. Altman's is far enough from the main White Plains shopping area to be able to provide a 500-car parking lot within easy reach of its shuttle service. Traffic problems might make it impracticable in a more congested spot.

MARKETING BRIEFS

The increasing share of total U. S. personal income going to lower- and middle-income groups is "one of the great social revolutions in history." That's the opinion of the University of Pennsylvania's Prof. Simon Kuznets. In a study for the National Bureau of Economic Research, Kuznets shows that, between 1929 and 1946, the share of personal income received by the 5% of the people in the top income bracket dropped from 24% of the total to 18%.

Macy's reply to Gimbels' big splurge on brand-name promotion (BW—Apr. 21 '51, p. 83): an ad campaign stressing private brand lines. Macy's asks "How famous can you get? . . . No goods are more trusted than 'Macy's-Own' merchandise."

A 14-in. TV set has been introduced by Admiral to needle lagging sales. Price: \$159.95. Object: "to bring TV back within the buying power of the majority of American wage earners."

Coffee consumption in the U. S. is up sharply. First-quarter sales come to nearly 580-million lb., 19% more than the first quarter of 1950 and equal to the first quarter of record-breaking 1949. The U. S. family is gulping down an average of about 4 lb. a month.

Zenith's 90-day test on its Phonevision system was "successful beyond our expectations," according to President E. F. McDonald. The 300 participating families spent \$1.73 a week looking at films over Phonevision. The attendance rate, says McDonald, was 3½ times present average for movie attendance.

The number of food stores carrying more than 20 drugstore items has increased from 25,000 to more than 100,000 in about four years. A. C. Nielsen Co. sees this as "one of the chief reasons for the fact that the food store share of total retail business has been rising—while the drugstore trend has been on the downgrade."



Old locomotives and other worn-out machines often provide thousands of tons of valuable scrap.

Scrap for Hungry Steel Mills



These once-deadly tanks, damaged on the battlefield, are shown being broken up for scrap steel at one of the Bethlehem plants.

Iron and steel scrap is one of the basic raw materials used in making steel. Bethlehem alone, with its present annual ingot capacity of 16,000,000 tons, will need to use some 8,000,000 tons of ferrous scrap this year.

Scrap comes from many sources. It can be the remains of a proud ship of yesterday. It can be a string of ancient locomotives that have outlived their usefulness. It can be tanks wrecked in battle; steel parts and bodies from old automobiles; rusting boilers, gears, rails, beams; metal shavings machined away by a lathe. And a great deal of it is what steelmakers call

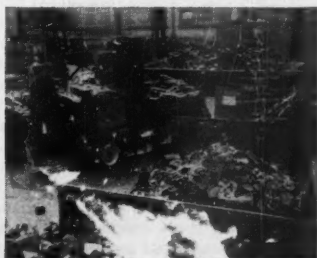
"home scrap"—scrap produced as a by-product of steel plant operations.

Right now there's a serious shortage of scrap that threatens to hamper steel production. Industry knows this, and is helping to speed up the flow by cleaning out old scrap piles and getting long-unused metal to market. Farmers are helping by turning in outmoded or broken tools and implements.

Scrap is needed in huge quantities. It easily holds a key role in the nation's steel production—which, in turn, is one of the most vital factors in meeting the growing needs of the defense program.



Some ships never completely die. The usable metal from this one later became an essential ingredient in the making of new steel.



Before it's melted down in the furnaces, salvaged metal is segregated—that is, classified metallurgically according to analysis.



One method of breaking scrap into smaller sizes. Ten-ton ball, dropped from crane, strikes the objects beneath with shattering impact.

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FINANCE

Defense Loans Come Easier

Banks will no longer hesitate to take defense contracts as collateral on loans to small firms; the government can't hold banks liable for claims against the contracting firms.

From now on, it's going to be easier for small companies to get financing for their defense contracts. And it's going to be easier for the smaller banks to get in on defense financing.

That's the significance of the amendment to the Assignment of Claims Act of 1940 that President Truman signed last week (BW—May 19 '51, p138). The amendment clears up a situation that has kept many banks hesitant about loaning money when the borrower has to put up his defense contract as collateral. It prevents the government from holding the bank liable for claims the government may have against the contractor.

• **Added Protection**—A bank can usually arrange for the government to guarantee a large percentage of a defense loan. But this V-loan guarantee can still leave the lending bank very much on the hook.

Suppose a company whose net worth is \$1-million gets a \$5-million V-loan. Even if the percentage of the loan guaranteed by the government is 75% (it's often lower), the bank would still be lending \$1 1/4-million on its own initiative—more than the borrower's net worth.

That's why, in addition to the V-loan guarantee, the bank often needs additional protection. It can ask the borrower to assign his defense contract to it as collateral. Payments on the contract will be made by the government directly to the bank.

• **"No Set-Off" Nullified**—This was the procedure worked out during World War II. Under the Assignment of Claims Act of 1940, the government permitted banks to take defense contracts as collateral when defense loans exceeded the net worth of the borrower. To make these contracts attractive as collateral, the law provided that even if the contractor owed the government money the government could not make any claims against the payments made to banks on these assigned contracts. Each defense contract included this "no set-off" clause.

However, about the time the new V-loan program was getting started last fall, the General Accounting Office, in a series of rulings, nullified the "no set-off" clause. In effect, it ruled that the government could collect claims against

contractors from the banks that had taken their contracts as collateral and had received the payments under them (BW—Feb. 3 '51, p24).

• **Discouraged Loans**—This legal pitfall has kept a lot of banks from making defense loans where the borrower's credit position was such that the defense contract would have had to be put up as collateral. Quite a few banks, particularly in the midwest, indicated informally that they wouldn't make such loans until the legal situation was cleared up.

This was no reflection on the prospective borrowers. But, for many small and medium-sized companies, a defense contract means rapid expansion. It requires financing far beyond the normal credit line that the company could expect to get from banks under normal circumstances. Until the company's net worth has been built up enough to support a larger credit line, lending banks need some form of protection.

• **Bigs Not Affected**—The dubious status of defense contracts as collateral hasn't affected big companies much. Their defense contracts in most cases haven't overstretched their normal credit lines. After years of prosperity, they are in better financial shape than they were in the early stage of World War II.

By the same token, the big banks haven't been limited particularly by the GAO rulings. Most of their customers are prime credit risks, large companies well able to take defense contracts in stride.

For instance, International Harvester Corp. recently got a \$75-million loan from a group of banks, the biggest V-loan so far. International Harvester's credit position was good. But observers think it wanted a V-loan because it expects to carry on its normal major business of producing farm implements and will take on defense contracts as an extra load. Farm machinery won't be cut back so much as automobiles and household appliances. So IH will need its working capital for its normal operations.

• **Smalls Feel the Pinch**—Where the shoe has pinched has been with the small companies and the small banks. Small companies just don't have the credit rating necessary to finance defense contracts on their unsupported

credit. Small banks deal with local businesses and are pretty much limited by their capital funds. The guaranteed portion of a V-loan is exempt from the rule that keeps national banks from lending to any one borrower an amount equal to 10% of their capital funds. But the unguaranteed portion can still be pretty sizable.

Now that the GAO rulings have been overruled by amending the law, the way is cleared for a greater volume of loans to smaller companies. Banks in money centers like Chicago, St. Louis, and Cleveland say that they are going to be a lot more approachable now on such loans.

• **No Rush in Big Cities**—And you can expect this attitude to carry through to banks in smaller cities. Most of the big-city banks report that, so far, they have had very few applications for loans where contracts would have been needed as collateral. They don't expect any immediate increase in such applications as a result of the legal clarification. But they do feel that it is going to make an important difference in financing of smaller companies when big defense contracts work down to the subcontractor level.

One Chicago banker says:

"We have been taking care of our customers right along, making loans on an unsecured basis or on other terms, with the expectation that this matter would be cleared up, and we could shift them to V-loans. The day after Truman signed the amendment, we converted two such loans to V-loans. There have been hardship cases during this period of uncertainty, but these have been in the minority."

• **St. Louis Sees Pickup**—In St. Louis, a leading banker says the amendment "is going to make a whale of a difference" in his attitude toward loans secured by contracts. However, he says he has had very few applications for loans of this type so far. Another St. Louis banker says he is expecting a rush of V-loan inquiries now.

There have been reports that GAO had asked a couple of St. Louis banks to refund part of payments made to them on contracts dating back to World War II. GAO wanted the money to satisfy government claims against the contractors. It's not known whether the banks paid up or not; anyway, they didn't go to court about it. If true, this would account for the special importance St. Louis bankers attached to the "set-off" clause.

In Cleveland, banks haven't had many applications for V-loans or private loans requiring defense contracts as collateral. For instance, one big bank has had only 15 such applications, another nine, and another eight. Cleveland bankers have stalled for time on these applications, waiting for Congress to change the GAO rulings.



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Worry! Fret! Loss of sleep thinking about fire cutting into production time... destroying valuable records... costing lives of employees... all are anxieties of the past when your factory's protected with modern, approved C-O-TWO Fire Protection Equipment.

For example, the new C-O-TWO Low Pressure Carbon Dioxide Type Fire Extinguishing Systems keynote flexibility to meet your particular fire protection needs. Flammable liquids, electrical equipment, storage and manufacturing processes can all be made firesafe from a single low pressure carbon dioxide storage tank... capacities range from one to fifty tons of fire killing carbon dioxide. If fire should strike the fast-acting, non-damaging, non-conducting carbon dioxide extin-

guishes the blaze in seconds... no water damage, no lingering odors.

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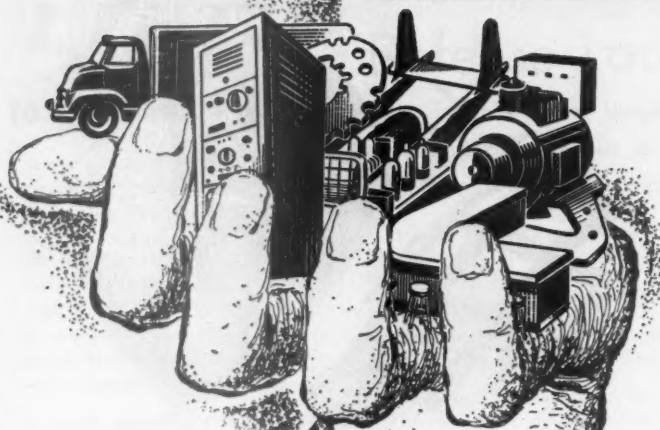
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Movie Pay Cut

20th Century-Fox asks its executives to take "voluntary" salary slashes ranging from 25% to 50%.

Hollywood got some bad financial news last week. Executives of 20th Century-Fox Film Corp. will be asked to take "voluntary" pay cuts, effective July 1.

That's what 20th Century's president, Spyros P. Skouras, told stockholders at the annual meeting. At the same time he said that earnings for the March quarter were only \$900,000, a 50% drop from the same 1950 period. 20th Century's earnings for all 1950 were about \$9.6-million, compared with \$12.4-million in 1949.

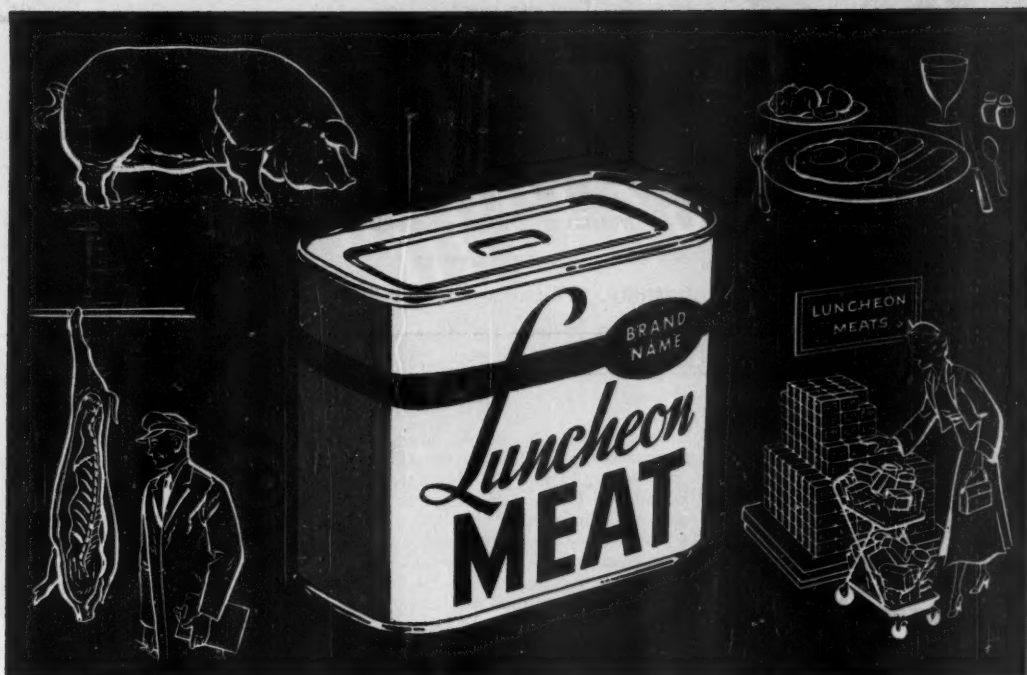
The reason isn't hard to find: Box-office receipts are off, and costs are rising. Skouras was even willing to admit that TV had something to do with the drop in movie attendance.

• **What Will It Save?**—20th Century expects to save about \$2½-million a year from the pay cuts. It hopes to save another \$4-million this year by economies in producing and distributing its films.

Skouras said that booming movie attendance during the last war had caused "undue inflation" of salaries in the industry. Under his pay-cut plan, executives getting from \$500 to \$1,000 a week would be cut 25%. Those in the \$1,000-to-\$2,000-a-week bracket would be cut 25% on their first \$1,000, 35% on everything over that. Executives making over \$2,000 a week—including Skouras himself, production vice-president Darryl F. Zanuck, and sales vice-president Al Lichtman—would get the same treatment on their first \$2,000, plus a 50% cut on what they earn over \$2,000.

• **Subsidiary**—Skouras said that 130 executives in the production and distribution side of 20th Century would be affected by the pay cuts. The company's theater subsidiary, National Theaters Corp., is being set up as a separate corporation to comply with the antitrust splitup order (BW—Jun. 24 '50, p. 26). It will work out its own salary-cut plan.

• **Profit Sharing**—To keep up their incentive, the executives involved in the pay slash will be allowed to share in 50% of the profits of the new production-distribution company, after the splitup. They are to share in profits up to the point where their original salaries would be restored. That means the new production company would have to earn \$5-million a year before executives' pay



Before this - it was "WHOLE HOG" or none

... ANOTHER PACKAGING ACHIEVEMENT ORIGINATED BY CANCO

Back in 1937, an aggressive meat packer had an idea about whole hams.

Since many people just didn't want that much pork at one time, why should it be "whole hog" or none for them? Why not sell hams as canned luncheon meat in small containers?

As an idea it was inspired. But the container didn't exist nor did a processing method which allowed the contents to be kept *without refrigeration* on food store shelves.

That is where the packer-with-an-idea and Canco formed a team.

Working on the container side of this problem, Canco finally came up with a 12-oz. luncheon meat can. It opened easily. It held a width of pork the size of half a slice of bread. It could be priced right. It was economical for the packer to fill and close.

The packer also had a tough baby to wrestle with—the processing problem.

The processing time couldn't be too long, or the temperature too high. For then the meat shrank. If both were too short, the contents wouldn't keep.

Finally, after almost endless experiments, the right

relationship between time, temperature, meat formula, and keeping qualities was found.

And how this brilliant piece of cooperation between two great companies paid off! In 1950 more than 135,000,000 pounds of meat were sold in this familiar package; and any grocer will tell you how luncheon meat has boomed business in his canned meat department.

In these critical times, Canco, with its 50 years of accumulated knowledge and resourcefulness, will continue to pioneer container improvements and help its customers meet the unusual problems of the national emergency.



TACK WITH AIR



TRIGGER-FAST 30 staples in 10 seconds

SAVES TIME—Tacks fast as you press the trigger. That means BIG time savings.

SAVES LABOR—More tacking work can be done by fewer workers. Ease of operation means you can use girl operators.

CUTS COSTS—Labor and time savings means dollar savings. Many users have proven that fact.

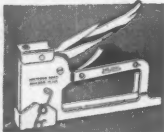
WHERE USED—Automobile, furniture, bedding, television plants, woodwork shops, doll and toy factories and by a cross section of industry for a multitude of applications.

MANY MODELS—30 models available to speed most tacking jobs—INCLUDING THE ONES IN YOUR PLANT.

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cuts would be completely rubbed out.

The cuts may get some opposition from 20th Century's screen directors. Joseph L. Mankiewicz, president of the Screen Directors Guild, has asked all 20th Century directors not to commit themselves till the guild has a chance to study the plan.

Polio Peace Pipe

March of Dimes and sellers of insurance move to end hostility. O'Connor says each has part in war on disease.

The March of Dimes and the sellers of polio insurance are getting together at last.

For two years, ever since the insurance companies started to push polio policies (BW—Aug. 13 '49, p26), the National Foundation for Infantile Paralysis has been eying them warily.

• **Sales Talk**—Over-eager insurance men have sometimes advertised, or told prospects, that buying insurance was the only way to protect their families against polio. That didn't please the foundation, which sponsors the annual March of Dimes to fight polio.

Last week Basil O'Connor, foundation president, made a bid for cooperation between the insurance industry and the foundation. He told an annual meeting of the Health & Accident Underwriters Conference that there were many ways that insurance companies and the foundation could help each other. The conference is a trade association of 157 insurance companies, about 60 of which write polio insurance.

"I want you to know," said O'Connor, "that we have no quarrel with polio insurance. We are very happy to have someone else share the burden of patient care that has consumed so much of our funds. But I would like you to understand thoroughly that polio insurance is not a substitute for the March of Dimes."

• **Research**—O'Connor pointed out that insurance will pay for treatment, but it will not educate doctors, nurses, and physical therapists; neither can it wipe out the disease. Those are things, he said, that can be done only by voluntary effort, through an organization such as the National Foundation.

O'Connor asked the conference to give the foundation statistical data on polio claims, average amounts, length of hospitalization, and other figures.

• **Good Response**—His speech got an excellent response from insurance men. Conference actuaries are now starting to work out polio statistics for the foundation.

Young Challenges Poll On Reorganizing MOP

Robert R. Young, fighting every inch of the way against the Missouri Pacific R.R. reorganization plan (BW—Dec. 9 '50, p82), is now challenging the way voting has been conducted.

Votes on the proposal—which would wipe out MOP's common stock, more than half of which belongs to Young's Allegheny Corp.—have been turned in to the Interstate Commerce Commission.

Last week Young indirectly took the unprecedented step of asking the ICC to make public the present status of the balloting. ICC was also requested to: (1) publish all correspondence it has had with the security holders; (2) give MOP a hearing on the legality of the way the plan was submitted to security holders and of the method ICC has been using to count votes; and (3) delay final count of votes till this hearing is over.

A group of MOP bond holders, who are backing the reorganization plan, quickly protested. They said that if ICC granted the request it would endanger future reorganization plans.

A few days later, ICC completed its count and made the results public. Although a court has to decide on whether enough security holders have O.K.'d the plan, the vote shows that security holders in 10 out of 14 security classes have voted for it.



Another Female First

Dr. Inez Bustamante (left) is probably the first woman president of a stock exchange anywhere. A lawyer, she heads newly opened Havana's Mercado Libre de Valores (free stock market).

"Congratulations...
something really new!"

"Wish I'd thought of it!"

"You've scooped the field!"
"...revolutionized our concept of
dictation service."

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"We're Televoice salesmen, too!"

"...extending it to all branches."

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American business is greeting EDISON TELEVOICE with a thundering outburst of approval—and orders! Our industry has never seen anything like it. And that's because there's never been anything like TELEVOICE to meet your dictation needs. Easy to use as the telephone—complete remote control by push-buttons—"delivers" dictation right to secretary's desk—cuts cost of instrument dictation as much as 66⅔%! AND REMEMBER: It's covered by Edison patents. Edison proved it for six years. Edison's the only one who has it. See it!

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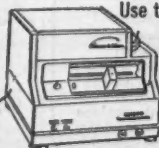
One to twenty



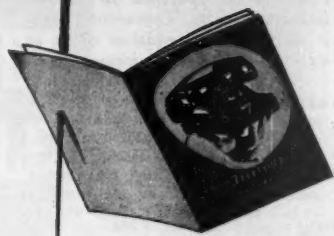
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**THIS is a plastic
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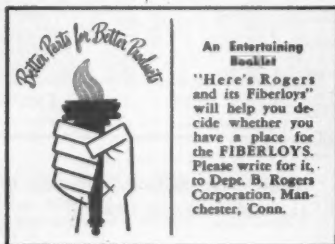
It is one of the FIBERLOYS by Rogers. Ten years ago, Henry Ford made part of a car body from it. Build a big enough press, and you can make entire car bodies from it.

Today it is specified in certain military contracts. Tomorrow, we'd like to create a variation of it to meet your special requirements.

PLASTICS by Rogers are special purpose, impact phenolics. They include the only molding compounds produced in sheets. They provide the most efficient, least expensive method of using high impact molding materials. Some are furnished in bulk form for molding. Some are special purpose laminates.

OTHER FIBERLOYS include the exciting new DUROIDS. These are special formulations developed to supply specific mechanical and chemical characteristics. The DUROIDS blanket the range of materials properties from laminated plastics, down through vulcanized fibre to paperboard.

USING FIBERLOYS results in better parts for better products. Many of them are fabricated to customer specifications by Rogers' Fabricating Division.



ROGERS CORPORATION

Established in 1832

Utility Families

California bill would give state commission wide powers over contracts between parent companies and affiliates.

A couple of California assemblymen are trying to get the state legislature to define the power of the state public utilities commission over contracts of utility companies with their affiliates. Next week a committee of the lower house will consider a bill that would give the commission wide powers over such contracts.

About a year ago, the commission tried to change the terms of a contract between Pacific Telephone & Telegraph Co. and its parent, American Telephone & Telegraph Co. Under the contract, Pacific Tel & Tel was supposed to pay its parent \$2½-million a year for services. The public utilities commission tried to cut this payment to \$2¼-million. The phone company appealed to the state supreme court, which ruled that the commission had no power to change the contract.

• **Backed by Warren**—Now Democratic assemblymen John E. Moss, Jr., and William H. Rosenthal are trying to get a law passed that would give the com-

mission this power. They have been supported by Gov. Earl Warren and by the city governments of Los Angeles and San Francisco.

Warren says: "When a parent company can charge its offspring anything it wants and then charge that against the users of the utility, the interests of the contracting parties come before the interests of the general public."

The phone company naturally differs. According to Col. C. T. Blanch, vice-president of Pacific Tel & Tel, the commission was attempting to substitute its judgment for that of management in a purely management matter. If the commission had power to look over contract terms, he argues, it would end up with the power of deciding what contract terms are reasonable.

• **Earlier Bill**—The utilities committee of the California lower house has already tabled a bill introduced by Rosenthal that would have given the state commission power to examine all utility contracts with affiliates. The bill defined an affiliate as an interest owning 10% or more of the utility's voting stock, or a corporation that had officers and directors in common with the public utility.

It even extended the commission's jurisdiction to contracts between a utility and any interest owning 10% of the voting stock of any affiliate of the utility and to any interest in a chain of successive 10% ownership.



Like Some du Pont With Your Wheaties?

General Mills, Inc., and the brokerage house of Merrill Lynch, Pierce, Fenner & Beane have joined in a unique promotion campaign to push Wheaties and common stocks at the same time. They're sponsoring a contest on "Why I Like Wheaties" in which \$50,000

worth of stock will be given to the winners. Advertising of the campaign in newspapers, on the radio, and on TV, will explain what common stocks are and what it means to own them. Winners will pick their own stocks, get free advice from Merrill Lynch.



◀ **V. B. KNISS**, Manager of Tire Sales for Firestone Tire and Rubber Co., says: "As farm prosperity goes, so goes the nation. We at Firestone are impressed with the tremendous contributions which the farm market has made to our growth."



◀ **JAMES J. NEWMAN**, Vice President of B. F. Goodrich Co., comments: "Today, American industry knows that many of its best customers live on the farm. The proportion of automobile-owning families in rural areas is appreciably higher than in cities over 50,000."



▲ **I. P. SEIBERLING**, President of Seiberling Rubber Co., feels: "Farmers are likely to be as selective in their purchase of automobile tires as any other high-income, high-intelligence group."



▲ **DONN PROUT**, Sales Promotion Manager of Arvin Industries, Inc., Automotive Division, adds: "If there is any difference between the urban and rural markets, so far as driving comfort is concerned, we believe the demands and standards of the latter are higher."



▲ **HERMAN TEETOR**, Advertising Manager of Perfect Circle Corp., believes: "The farmer, perhaps more specifically the Country Gentleman farmer, is a prosperous, deliberate and discriminating buyer."



▲ **DON H. COLLINS**, Director of Advertising for Hastings Manufacturing Co., finds "enthusiastic response to our 1951 farm program, with schedules in four leading farm magazines."

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FOR PROFITABLE
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With over 6 million automobiles, over 2½ million trucks, nearly 4 million tractors on our farms, prosperous Rural America is the nation's biggest single automotive market—and more. Mechanization has cut work hours, increased output, given farm families more time and money to enjoy better living. Today's best new customers for every prod-

uct, rural people are spending one out of every 3 retail dollars. Through Country Gentleman, you can reach 2,300,000 of these families coast to coast—with greatest impact, proved by a recent nationwide survey. That is why Country Gentleman ranks 1st among farm magazines—12th among all magazines—in advertising revenue.

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YOU'LL WANT OUR BOOKLET. It describes dozens of money saving applications. Or, better yet, why not see the amazing BW Copyflex in operation? In either case, be sure to send the coupon today. No obligation, of course.

*WHAT DO YOU PAY? A recent survey shows it costs, on the average, at least 50¢ to type a single, ordinary sized page.

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FINANCE BRIEFS

No flight from the dollar: Savings banks in New York State showed a \$11.7-million gain in deposits in April, the New York Savings Bank Assn. reports. In January they had dropped \$12-million, in February another \$10-million. In March they gained a modest \$600,000.

Defense loans: Consolidated Vultee Aircraft Corp. has arranged for a \$50-million credit from a group of banks to finance expansion. Northrop Aircraft, Inc., has a credit line of \$9-million to help handle what the company says is a \$300-million backlog of military orders.

Costs squeeze railroads: New York Central's president Gustav Metzger told stockholders this week that wages and materials would cost \$58-million more this year. Central, like other roads, wants a freight rate boost.

Columbia Gas System will not raise any more money this year. The company has cut its 1951 construction program in northeast and south-central states because of steel shortages.

New York State Electric & Gas says it will need \$41½-million of additional new money this year to finance construction. It borrowed \$10½-million earlier this year.

World Bank sold a £5-million (\$14-million) bond issue with a coupon rate of 3½% to London investment bankers. Rate is high, but the bank says it wants to become known to British investors.

Pennsylvania remains without a personal income tax. Senate Republicans killed off a proposed ½% levy. The state is now looking for other ways to raise \$120-million during the 1951-1952 period.

Pfizer & Co., fast-growing drug house, will ask stockholders to approve: (1) splitting common stock three-for-one, (2) offering new stock, one share for each 10 split shares held, and (3) issuing 150,000 shares of convertible preferred. Total proceeds—about \$27-million—will be used for expansion.

Fruehauf Trailer Sales, subsidiary of Fruehauf Trailer Co., is placing privately a \$10-million issue of collateral trust debentures. Money will be used to finance consumer paper acquired by Fruehauf. The company borrowed \$70-million for this purpose in 1948 and 1949.



CONSIDER THESE

5 G-E WIRING FACTS

WHEN YOU EXPAND YOUR ELECTRICAL SYSTEM

**General Electric Construction
Materials Department
—at Bridgeport**

is headquarters for wiring progress.

Through constant research and precision manufacturing methods, the G-E Construction Materials Department sets the pace with the finest and the most modern wiring materials.

Through distributors in every locality and specialists in the local G-E offices, The G-E Construction Materials Department offers you complete services on any type of wiring problem.

For information on any G-E wiring materials, contact your local G-E Construction Materials distributor, or write Section K57-510, Construction Materials Department, General Electric Company, Bridgeport 2, Connecticut.

*Registered Trade Mark of General Electric Company

1. Q. HOW CAN YOU REDUCE INSTALLATION TIME FOR NEW POWER AND CONTROL CIRCUITS IN LIGHT COMMERCIAL AND INDUSTRIAL BUILDINGS?

A. Use G-E electrical metallic tubing. This lightweight, thin-wall tubing cuts installation time because it's easy to handle, easy to bend, and easy to install.



2. Q. HOW CAN YOU EXPAND THE ELECTRICAL CAPACITY OF YOUR PRESENT STEEL RACEWAYS?

A. By using G-E Deltabeston* AVA cables instead of ordinary cables, you can add as much as 64% more current-carrying capacity to your present raceways.

3. Q. HOW CAN YOU SAVE LAYOUT TIME WHEN YOU EXPAND YOUR PRESENT ELECTRIC POWER SYSTEM?

A. G-E Interlock-Armored cable—preinstalled in its own flexible raceway—presents no complicated layout problems. This ready-to-install cable can be bent around obstructions, strung over long runs, laid up on existing beams, or installed on racks.



4. Q. HOW CAN YOU PROVIDE A COMPLETE ELECTRICAL DISTRIBUTION SYSTEM THAT WILL KEEP PACE WITH CHANGING FUTURE REQUIREMENTS?

A. Install the G-E Fiberduct underfloor system—a nonmetallic, non-corrosive raceway system. You will get electrical flexibility to cope with ever-changing and unforeseen demands for expanding electrical service. You will always be ready for changes in building layout that require new or additional power and signal circuits. You keep electrically prepared with G-E Fiberduct.

5. Q. WHAT ARE THE ADVANTAGES OF THE G-E REMOTE CONTROL WIRING SYSTEM IN INDUSTRIAL AND COMMERCIAL BUILDINGS?

A. G-E remote-control wiring system provides control of corridor lights from central locations to assist watchmen and cleaning crews. The small, lightweight control wires can be removed easily as partitions and floor layouts are changed.

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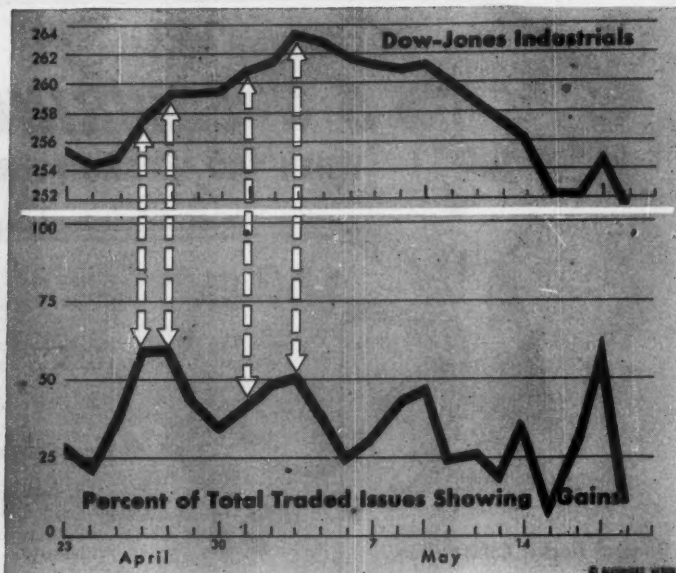
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- ✓ Inside garage
- ✓ Unexcelled convention facilities
- ✓ GOURMET RESTAURANT
Internationally famous

John G. Horsman, General Mgr.

THE MARKETS



WEAKNESS of the market was shown by the way most Big Board stocks failed to follow when the 30 Dow-Jones industrials made a new postwar high this month.

Wall Street Thinks It Over

Light volume, lack of speculative activity, and failure of rails to confirm industrials forecast the break in the bull market. But long-term trend of stock prices is up.

Wall Street's bull market showed a good many signs of weakness before the Dow-Jones industrials reached their postwar top of 263.13 early this month. So the later drop to 250 didn't surprise many Wall Street analysts.

Among the danger signals were the light volume of trading and the failure of the rail averages to "confirm" the industrials (BW—May 5 '51, p134). Another was the lack of speculative activity (BW—May 12 '51, p142).

There's still another way to test the market: Chartists can estimate the strength of a bull move by studying the breadth of the market—how many stocks participate in the advance of the industrial average. On this basis, the market also showed fatigue.

• **Price Trend Yardstick**—For the Dow industrials are not a cross-section of the market by any means. They represent investment-grade stocks. To get a picture of how broad a price trend is, analysts keep track of the number of stocks that register gains or losses in each day's trading (chart).

The chart above shows the breadth of the market for the past month. During this time, there were only four days on which a majority of stocks traded on the New York Stock Exchange went up.

In the last week of April, the industrial average was rising, and a steadily increasing number of Big Board stocks kept it company. Then the number of stocks rising tapered off. But the industrial average kept right on up.

• **Danger Ahead**—Some observers saw this as a tipoff that the Dow industrials didn't have much further to go. At the end of April, the industrials put on their final spurt. But on only one day during this final push were more than half of the Big Board stocks on the upside.

All these factors—volume, breadth, failure of the rails to confirm the industrials—are what Wall Street calls "technical" factors. In other words, they are based on the statistics that the market itself churns out.

• **Earnings Outlook Is Dim**—But obviously these are symptoms of the interplay of basic forces that influence stock

prices. The outlook for earnings in different industries has a lot to do with determining market values of individual stocks.

Right now the outlook for earnings is a bit darker than it has been since Korea. Investors and traders have recognized for a long time that the rise in corporate earnings to new highs was going to be checked eventually by higher taxes. Reports of first-quarter earnings showed them that taxes were already starting to cut into earnings (BW—Apr. 28'51, p125).

Wall Street knew, also, that price controls and a "flexible" wage policy would squeeze profits. Now it has a blueprint for that squeeze—the General Manufacturers' Price Regulation (BW—May 19'51, p19). And it has just learned industry faces tough third-quarter allocations for steel, copper, and aluminum.

• **Few Bears**—So far, however, market observers don't see any signs of a bear market developing.

For they don't expect corporate earnings to decline sharply. That means most dividend rates are pretty safe for quite a while.

And there are several other factors that tend to make analysts pretty confident that the long-term trend of stock prices is up.

• **Price-Earnings Ratios**—Stock prices are very conservative in relation to earnings. Price-earnings ratios never got out of hand the way they did in 1946, when the Dow-Jones industrials sold as high as 15.7 times 1946 earnings. Even if earnings of the Dow industrials dropped to \$24 this year from \$30.70 in 1950, at present prices the industrials would still be selling around 10 times earnings.

• **Creeping Inflation**—Inflation fears should help the market. Though investors aren't worrying about runaway inflation the way they did in January and February, the probability of long-term, creeping inflation should attract quite a few buyers to common stocks.

Mixed Pattern for Government Bonds

The Federal Reserve System's new policy of abandoning fixed price supports for government bonds and tightening up interest rates has had varying effects on different issues.

If you look at the issues that are eligible for purchase by banks, you can see that they have followed the textbook pattern of what is supposed to happen when interest rates rise. The long-term issues have taken the biggest price drops; the shorter terms have suffered considerably less.

The long-term bonds find few buyers in a tightening market because their owners are stuck with the present coupon rate for years to come. The short issues remain fairly attractive because their owners will get paid off in the next few years and will then be able to reinvest in new issues of long-term bonds at higher coupon rates.

Thus in the complicated mathematics of the bond market, a drop of, say, 50 basis points in the price of an issue that matures in two years gives the same increase in yield as a drop of five times that much in an issue that matures in 10 years.

• **Ineligibles**—But the issues that banks can't buy—the bank-ineligibles—have followed a pattern you won't find in textbooks. They're all long-term bonds, but the ones with the shortest maturities have declined more than longest issues.

This is because the shorter issues—which banks can begin to buy before long—were run up a bit by speculators before the Federal lowered the boom this March. Since then, the Fed has occasionally supported the 2½s of 1967-1972 to keep the market "orderly." The other 2½s have been allowed to find their own level.

	Postwar High (1946)	1951 High	Recent Price	% Below 1951 High
Bank-Eligible Issues				
2½s, '51	109.78	100.72	100.09	-0.6
2½s, '51-'53	107.72	101.09	100.56	-0.5
3s, '51-'55	111.53	101.28	100.56	-0.7
2s, '53-'55	107.66	102.50	101.56	-0.9
2½s, '54-'56	109.84	104.06	102.93	-1.1
2½s, '55-'60	115.93	107.37	105.31	-1.9
2½s, '56-'59	111.43	108.93	106.37	-2.3
2½s, '58-'63	117.06	110.93	107.75	-2.9
2½s, '67-'72 Sept.	107.75	104.97	99.40	-5.3
Bank-Ineligible Issues				
2½s, '62-'67	108.31	103.12	97.69	-5.4
2½s, '63-'68	108.03	102.22	97.00	-5.1
2½s, '64-'69 June	107.75	101.59	97.00	-4.5
2½s, '65-'70 March	107.69	101.22	96.87	-4.3
2½s, '66-'67	107.69	101.16	96.81	-4.4
2½s, '67-'72 Dec.	106.47	100.78	96.25	-4.9



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DEFENSE BUSINESS



CMP EXPERT John F. Skillman answered written questions submitted by his management-men audience.



SRO SIGN was out at Chicago's Orchestra Hall. Assembled businessmen had one question: "How can I get more materials?" Basic answer: "Ask

Teaching Businessmen How to Live



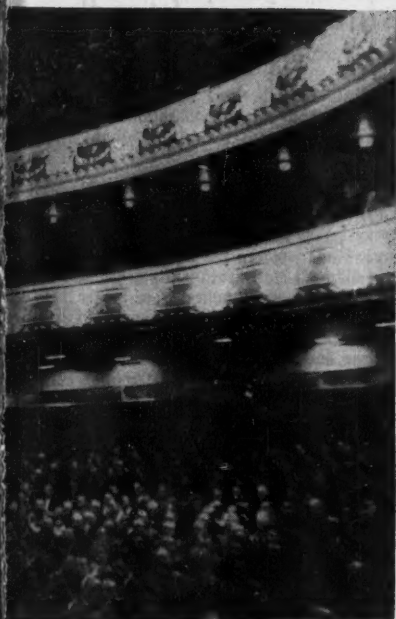
EXECUTIVES swarmed up on platform to get a little more straight-from-the-horse's-mouth information. They left the hall more encouraged than discouraged.

Top management from coast to coast asked: "How can I get more stuff." And the experts at 20 Controlled Materials Plan schools answered: "Dot the I's, cross the T's, and learn how to live with your CMP analyst."

Four teams of CMP experts, barnstorming all over the country, drew hard-working crowds that sat through three and four hours of charts, lectures, and questions. The purpose was to explain the Controlled Materials Plan to business just prior to the May 31 deadline for filing applications for third-quarter allotments of steel, copper, and aluminum.

• **Old Hands**—The job of filling out application forms for industry is being done in many cases by the men who did the same thing in World War II. The questions that these men asked at the CMP schools convinced the government experts that the forms were in skilled hands.

But these questions were the easy ones to answer. The tough ones came from a different breed of cats—management men on the make for more materials, for a better product classification, for shortcuts to more generous alloca-



for more materials. Argue. Don't be afraid to pound on the table if you have to."

With CMP

tions. Here is how the CMP answers to such questions shaped up:

I. Tell Your Analyst All

The forms have a place for everything CMP has to know about your product and your materials needs. But not for everything it would like to know. If you stop at merely filling out the forms, you're missing the first shot at bigger allocation.

• **Big Staff for Job**—National Production Authority has 850 CMP analysts, braced to handle some 50,000 4B forms. They have had 10 hours of formal training—enough to make them skillful paper handlers. But many of them will be poorly informed about products assigned to them. The good ones will wise up later. But in this first, all-important go-around, don't count on them knowing too much about your business.

So send a letter along with the 4B form. Explain in full what your product is—don't just say "air-conditioning unit." Say what kind of air conditioning unit, exactly what it does, why it's important, who needs it most.

If you don't get so much material as



Light Production Costs on Heavy Volume of Light Fixtures



At Curtis Lighting, Inc., Chicago, this 250-ton Clearing press produces louvers up to four feet long for fluorescent lighting fixtures. It hasn't been out of service a single minute in three years of steady two-shift operation. With two men working the three station dies, the press blanks, perforates and forms 68 complete louvers per hour.

Steady, top tempo production without interruption is the secret of real economy, and Curtis Lighting, Inc., chose Clearing because they knew it was the way to hold down costs. With something like 12,000 service hours delivered and the first minute of press down-time still uncharged, it seems they made a wise choice. If you want that kind of production economy in your plant, get in touch with Clearing.

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Start using PLOVER BOND today. The visibly better appearance of PLOVER BOND's exclusive Qualitex finish is produced by Perma-Therm drying. From start to finish, PLOVER BOND gains beauty from each special technique in the Permanizing Process. This better paper-making method, unmatched by any other mill, is used only by Whiting-Plover Paper Company, Stevens Point, Wisconsin.

A good place to put your 2c in!

For only about 2¢ a day, the average company can switch from ordinary paper to handsome PLOVER BOND. When visible quality costs so little, wouldn't it be wise to ask your printer about Permanized PLOVER BOND?

Rag Content • Tub Sized • Air Dried



"...Ask for everything you think you'll need to fill all the business in sight..."

CMP starts on p. 144

you put in for, will you have to lay off men? Yes—but don't stop with saying that. Everyone else is saying it, too. Dig up some facts that will show you'll be hurt worse than the rest of your industry.

II. Ask for Everything

Shoot the works. Don't ask for what you think you'll get. Ask for everything you need to fill all the business in sight. It's part of the basic philosophy of CMP to have a full statement of industry's requirements for the coming quarter—full and running over. It's the quarter of measurement and test. CMP wants everybody's chest measurement taken at full expansion.

• **Read Between the Lines**—The invitation to cut loose with requests isn't spelled out on any of the forms or instruction sheets. But it's implied in the 4B instruction sheet, which says to disregard NPA's M (limitation)—orders on copper and aluminum.

If you make a good case for your product, you might get an allocation that goes right through the M-order limitations. Piston ring makers, for example, might get extra aluminum to keep old cars running.

III. Speed Is the Word

It could be fatal to your chances for a roomy allocation if you assume that the third quarter is going to be nothing but a validating period for existing DO orders. True, there'll be a lot of automatic validating this time. Steel forms with a 45-day lead time plainly can't be juggled around in a system that is going to start July 1. But that's not saying there won't also be some important allocating based on the new applications.

• **Paper Work**—The amount of paper to be handled was one reason most often advanced for believing CMP would not mean much next quarter. But it doesn't take a lot of applications to soak up most of the controlled materials. Out of 50,000 4B applications, some 7,000 will account for 85% of materials allotted. These will be from the big companies, with efficient CMP staffs of their own.

Hardest hit by the paper work is the head of a small operation with no one to pass the job to—"and the office of Price Stabilization won't let me add the expense of hiring someone for it." There are many of these. And they left the CMP schools with scant comfort. But they don't affect a lot of tonnage. The biggest users will be in early, which is

why CMP officials think they will have a pretty good measure of allocations early in June.

IV. Get a Better Classification

Try to improve your product classification. You can't do this yourself, of course—but you can fire away at CMP for a different classification if you think it will get you more materials or bigger profits. Different classification will do both in some cases.

• **Ways and Means**—Four out of five of the questions in the CMP schools related to the A and B product classes. The maker of an ignition harness for automotive engines came convinced he could not file for an allotment because auto makers can't. He discovered he could file—in fact, had to—as the maker of a component on the official B product list. His chances are good for an allotment to fill all the business he can show on his application.

This stems to a basic CMP policy of not controlling the output of components directly, but controlling the end product—automobiles, in this instance. An even happier thought occurred next. What if he could wangle a military contract, putting his ignition harness into some specific type of military engine? Wouldn't that part of this output have "A" status and earn a special allotment? It would. The same product might be produced both as an A and as a B, under the different sets of rules for the two classifications.

• **CMP May Go Along**—Some of the problems of product class bear on production costs. Say the maker of a product—electrical fittings for an airplane—receives an order for 2,000 units. Normally, he would run 10,000, acting as his own distributor for the 8,000 left over. But the basic rules for A products say he will get an allocation based solely on the size of the order. So CMP will make an exception. The maker of an A product who sells through distributors or who acts as his own distributor, can apply for an allotment on a 4B form. This will allow him to get the material for his run of 10,000 and hold down costs.

Rigid adherence to A and B product rules will put some manufacturers at a competitive disadvantage. Electric fans bear the fatal asterisk in the official B product list, which means allocations are barred for them—as complete fans. But a man who assembles fans, buying his motors, will discover his order for motors is accepted by CMP as justifying

an allocation of materials to his supplier.

This puts the integrated manufacturer in a hole—no chance to get materials for his own motor, while a competitor can get all the motors he wants. CMP will blink at the basic rules in such cases. It will allow an allocation for motors to the integrated manufacturer, which is tantamount to granting him B-product status for that part of his fan.

V. Don't Be Timid

Throw your weight around. Manufacturers will have to lead off in the situation like fan motors. CMP won't come around to extract complaints. It does expect some table-thumping outbursts from industrialists whose product has an asterisk in the official B product list and who want to tell someone they don't deserve that blackball.

Dean Bowman, assistant to the NPA administrator, has the job of passing on the arguments of those who seek to be de-asterisked. But the place to start is in a letter to the industry division that handles the product. If you want your product changed from A to B or from B to A, send your reasons to W. G. Breshears, NPA, Washington.

- **Complaints Should Be Backed**—Questioners at the CMP schools who wondered if it would be worth-while to buck a bureaucratic ruling got a lot of encouragement from the traveling experts. One tip: Get all possible backing for the complaint. If you're a prime contractor for the military, you ought to get some help at the Pentagon. If you are a subcontractor, enlist the help of your customer.

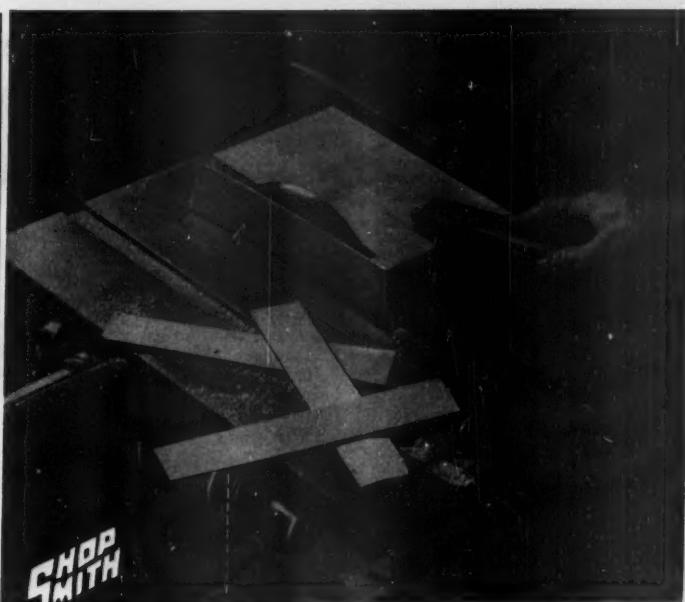
- **Unlisted Products**—In case of doubt—file. A number of questions were from manufacturers whose products weren't listed in any of the CMP manuals. A maker of mechanics' hand tools found most of his products on the official B list. But some special tools, like gear pullers, were not listed. Others reported none of their products was listed, but similar articles were.

In these cases, the advice was to go ahead and file without waiting for any final word from NPA. Put the 4B application into the mail, with a letter explaining why you feel an application is justified. It all helps CMP get a measure on real needs—and it may get you an allocation that delay would kill.

VI. Don't Overlook Anything

Use all that's coming to you.

In some cases an allotment for a B product will be less than that allowed under the terms of an M-order. If the M-order allows 70% as much as used in early 1950 and the CMP allotment comes back equal to 50% of the base, then you can shop around in the free market for the other 20%.



How to split a hair

Get down to the fine points of wood-working and you'll find a good many of them pointing to SHOPSMITH. For here is a multi-purpose power tool that specializes in fine adjustments. For example, SHOPSMITH's unique blade-to-fence adjustment is so accurate, the saw can be set to cut to a hairline.

The secret of SHOPSMITH's accuracy is the precision with which it's made. The standard tolerances set by the Magna Engineering Corporation are among the closest held in the power tool industry. And every part of every SHOPSMITH must meet these standards. The fact that Magna has produced 100,000 SHOPSMITHS in less than four years is a tribute to its ability to combine high precision and high production.

SHOPSMITH design is a masterpiece of versatility. It converts quickly from an 8" circular saw to a 12" disc sander, 33" wood lathe or 15" vertical or horizontal drill press. Measures only 2' x 5'. Costs only \$189.50 complete except for motor. See SHOPSMITH demonstrated and you'll see why it's America's largest selling power tool. At leading hardware and department stores or any Montgomery Ward store. We'll be glad to send you the 16-page SHOPSMITH catalog. Simply write:



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CMP Haze Begins to Clear

Despite confusion in Washington, CMP really is shaping up. Production that now has DO ratings will get allocations after July 1; and weapon makers will get all the metal they need.

If you are in a hard goods line, you're probably still wondering how much business the government will let you do after July 1. That's the starting date of the Controlled Materials Plan, under which Washington will direct the use of at least half the nation's supply of steel, copper, and aluminum.

But Washington isn't telling exactly how much metal it will allocate under CMP—much less who will get it and for what kind of production. You won't get precise answers to such questions for another week or two—if then.

It's little wonder that most industry has joined Henry Ford II in damning Washington for "uncertainty and confusion" over materials controls. Virtually all manufacturers of nonmilitary items containing steel, copper, and aluminum have given up trying to make positive plans beyond June 30. There is no point in it until the controllers give some definite word on materials.

• **Not All Confusion**—Despite surface appearance, however, all is not confusion in Washington. This week the controllers started writing a CMP ticket that would make sense to the businessman and get him materials, too. What that ticket calls for:

- Any production now enjoying a DO priority rating will get allocations after July 1.

- Producers of weapons and the like will get all the metal they need.

- Everyone else will get something less.

- **DPA Sets Goals**—Defense Production Administration, whose job it is to portion out the materials under CMP, had set some general goals. It's ironing out the details with National Production Authority, which will administer the specific regulations.

DPA's preliminary "goals" shaped up like this:

Military and allied production—such as production for the Atomic Energy Commission—would get allocations for all the metal needed in the July-September quarter. Consumer durables, including autos and appliances, would get no allocations. But the government would leave unallocated 60% as much copper and 50% as much aluminum as was consumed in civilian hard goods in the first half of 1950. There would be about 65% as much steel for automobiles, around 70% as much for other consumer durables.

This left uncertain the metals supply for the so-called defense-supporting pro-

grams, also ticketed for CMP allotments. For some of these—like electric power equipment, railroad freight cars, oil production machinery, machine tools—the answer appeared that they would get about 100% of the metal they used in 1950. That's generally less than they are asking. In some cases, it isn't enough to carry out expansion already O.K.'d by Washington.

- **Construction Is Up in the Air**—Still farther up in the air at the moment are materials for some other "supporting programs," like the bulk of industrial construction. Washington simply does not know yet where it will set the level of this type of building under CMP.

To make a project-by-project decision on allocations for construction, there has to be definite information on the essentiality of each job and how much material it would take. But the reporting form—CMP-4C—on which the construction industry would report this data was completed only this week. This means allocations for construction would be largely by guess until these forms are returned to Washington and screened there—probably some time in August.

Other allocations are even further from settlement. For office equipment like business machines, and furniture needed by both defense and civilian producers, the controllers aren't sure yet whether there would be any allocations before October. They're waiting for other reports on requirements.

- **Saving Grace**—However, this doesn't worry the controllers too much. First, no one really expects CMP to work in its first quarter of operation. It didn't in World War II. And the actual mechanics of CMP controls can be adjusted, the controllers feel, before anyone is permanently hurt by any regulation that misfires.

Many of Washington's materials experts also congratulate themselves that they will get CMP—any kind of CMP—into operation in July. Under the circumstances, this feeling is justified.

- **Mission for DPA**—Last January government people were convinced that a CMP would be needed by midyear; mobilization director Wilson established DPA with that thought in mind. DPA was supposed to set policy on materials controls generally and to take on the specific task of allotting materials under CMP or an equivalent program.

NPA already had the job of preparing

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the blueprint for the new CMP (page 50).

• **NPA Wins First Round**—Then a row broke out within the hierarchy of mobilization. DPA's brass had doubts about the advisability of starting CMP on July 1. NPA boss Manly Fleischmann, who saw his DO priority system toppling from its own weight, had none. Wilson settled the fight in mid-March—in Fleischmann's favor. But the delay had stalled NPA's work on CMP plans, especially the preparation of forms.

And the scrap wasn't over. Near the end of April, Fleischmann discovered that DPA wasn't prepared, either mentally or staffwise, to allocate any substantial portion of steel, copper, and aluminum. That meant NPA's creaking DO's would have to get metal for defense for another three months, at least.

• **And Second Round**—Fleischmann again carried the battle to Wilson. And again Wilson decided in his favor. DPA was ordered to get about the job of making allocations pronto (BW—May 19'51, p.21). But even Wilson couldn't make that order stick. Acting DPA Administrator Edwin T. Gibson admitted: "Frankly, we are scared to death of this thing." But fortunately, Fleischmann wasn't crippled by fear. He and his staffers buckled down to the job.

They immediately wired the steel producers to increase set-asides of metal for DO-rated orders—to insure sufficient steel for the new allocations, which also will get priorities. The take will be larger than that of the present DO's because additional types of production will be getting government assistance and the old rated programs, especially the military, will need more steel.

• **Break for Steel Users**—Also, to get the added production under the wire, Fleischmann cut the lead time for delivery that mills can require for July from 45 to 30 days. Mills can now reject only those rated orders that call for delivery in less than 30 days, instead of 45. That will allow producers on the allocations list to place their steel orders in time to get metal in July.

Such steps, of course, nail down metal for only those needs on which NPA now has the specific information it needs to make allocations. These include military production and the other existing DO programs. NPA will announce the actual allocations for this area early in June.

The other allocations—construction, office equipment, etc.—will come along later. The new steel set-aside has a cushion for those that will require some help in July. Fleischmann hopes to have allocations programs set up by July 15, in time to get the steel mills back on their 45-day lead time and still get steel for additional purposes during the month of August.

CHECKLIST

Of Defense Regulations

The following listing and condensed description cover all the material and price-control regulations issued by the defense agencies during the preceding week.

Full texts of the materials orders may be obtained from National Production Authority, Washington 25, or from any Dept. of Commerce regional office.

Full texts of the price orders may be had from the Office of Price Stabilization, Washington 25, or from the regional OPS office in your area.

Materials Orders

Farm equipment: Permits production of farm equipment during the third quarter of 1951 at a rate similar to the same period of 1949 and authorizes farm equipment manufacturers to use DO ratings to obtain materials and component parts needed for production. M-55A (May 11).

Component parts: Provides priority rating DO-70 to be used by producers of essential component parts to get needed materials until CMP reaches its full effectiveness. The order specifies the first three months of 1951 as the base period and permits the following percentages of base-period production: iron and steel products, 105%; copper products, 100%; aluminum products, 95%. M-60 (May 14).

Machine tools: Grants producers a DO-75 priority rating for obtaining essential materials for machine tools during the third quarter of 1951 or until CMP becomes effective. M-61 (May 14).

Hides: Permits tanners and contractors, from May 1 to June 30, to process twice the total number of each type of hide or skin they processed in an average month of 1950. M-62 (May 15); and M-29 as amended (May 15).

Softwood plywood: Requires manufacturers of softwood plywood to set aside each month 20% of their average monthly production (figured on base-period output, last-quarter 1950 and first-quarter 1951) as a reserve from which to fill DO orders. The order also prohibits trading plywood for logs. M-63 (May 16).

Rayon yarn: Requires producers of high-tenacity rayon yarns to accept DO orders up to 30% of monthly scheduled production. M-13 as amended (May 17).

Pricing Orders

Beef (retail): Restores the price relationships between certain retail cuts of beef that existed prior to the establishment of price control. The order sets

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a ceiling price on tongue of 50¢ to 57¢ per pound. CPR 25, Amend. 1 (effective May 14).

Beef (wholesale): Permits certain wholesalers to supply prepared retail cuts of beef to certain retailers and fixes ceilings on imported boneless processing beef. CPR 24, Amend. 2 (effective May 12).

Beef (kosher): Extends the effective date of the retail kosher beef regulation from May 14 to May 21. CPR 26, Amend. 1 (effective May 12).

Veterans' canteens: Exempts the veterans' canteen service from all price controls. CPR 11 (effective May 19).

Fish oil: Sets a ceiling price of 16¢ a pound for the principal types of crude fish oil and provides for ceiling prices on special grades of crude and processed fish oil by applying normal market differentials. CPR 6, Amend. 7 (effective May 19).

Soap: Permits manufacturers and distributors of household soaps and cleansers who were offering new products at reduced introductory prices during the base period to readjust ceilings to meet those of closest competitive brands. CPR 10, Amend. 1 (effective May 15).

Introductory Offers: Wholesalers and retailers caught by low introductory offers during the base periods may readjust prices to meet those of their closest competitors. GCPR Suppl. Reg. 27 (Effective May 15).

Printed products: Exempts from price control sales of commodities that have editorial content, express ideas, or disseminate information, and services related thereto—pamphlets, sheet music, maps, catalogs, directories, and house organs. Also exempt are products and services of persons engaged in the publishing and printing business whose gross sales are below \$50,000. GOR 8, Amend. 1 (effective May 19).

Printers: Permits printers and publishers to exclude the sales of newspapers, magazine periodicals, and other publications in calculating gross sales to determine whether they may elect not to price under CPR 22. CPR 22 Suppl. Reg. 3 (effective May 28).

Northeast pulpwood: Sets specific ceilings on pulpwood produced in New England and northern New York. CPR 38 (effective May 16).

Textiles: Stabilizes prices for cotton yarns and textiles at the manufacturing level by applying principles of the general manufacturers regulation. Each manufacturer of cotton textiles is required to compute his ceiling price by adding the actual increased material and labor costs to the selling price during a pre-Korea period. CPR 37 (effective May 28).

Soybeans: Amends the price ceiling for soybeans to clarify the ceiling price at the farm level and sets up a trans-

portation allowance for truckers hauling soybeans. GCPR Suppl. Reg. 3, Amend. 2 (effective May 27).

Mail order pricing: Permits mail order houses selling at retail through published catalogs having an effective period of at least four months to apply for modified pricing methods. GCPR Suppl. Reg. 28 (effective May 22).

Furniture: Permits grade-chart pricing for fabric materials and extras and defines product lines in the furniture industry. CPR 22 Suppl. Reg. 4 (effective May 28) and CPR 22 Interpretation 18 (May 17).

Territories and possessions: Tightens ceiling price regulations dealing with commodities sold in U.S. territories and possessions, but not produced there. Exempts only commodities specifically exempted by the Defense Production Act of 1950. CPR 9, Amend. 2 (effective May 21).

Machinery: Permits the manufacturer to adjust the ceiling prices established under the GCPR rather than the base-period prices. CPR 30, Suppl. Reg. 1 (effective May 28).

Automobiles: Sets reduced retail ceiling prices on passenger automobiles to compensate for the elimination of spare tires and tubes. GCPR Suppl. Reg. 5, Amend. 3 (effective May 22).

General manufacturers order: Clarifies and corrects various sections of the general manufacturers order dealing with calculating labor and material cost increases, and eases reporting requirements. CPR 22, Amend. 3 (effective May 28).

Specialty foods: Exempts luxury foods that have minor significance in the cost of living from price control at the wholesale and retail levels. GOR 7, Amend. 1 (effective May 18).

Food pricing: Redefines the food commodity category groups; lists the food items in each group that are subject to GCPR or other applicable regulations, and lists food items that are not subject to price control at the wholesale and retail levels. Amend. 3 to CPR 14, CPR 15, and CPR 16 (effective May 18).

Frozen fish and shell fish: Exempts frozen seafood from price control; fresh seafood is already exempt. GCPR Amend. 11 (Effective May 22).

The Pictures—Cover—Combine Photos. Acme—24; Rus Arnold—144,145; Hans Basken—75; Bettmann Archive—85(top); Combine—157; Culver—85(bot. rt.),86,90; Harris & Ewing—40(top lt.); Int. News—136; Bob Isear—20,22,23; Triangle—160; Wide World—40 (top rt.),44; Dick Wolters—50,51, 128,129.



Steel saved civilization at Augsburg

FOR 2000 years, the western world has survived vast waves of Asiatic invaders who threatened to destroy it. Repeatedly, the fate of civilization and Christianity has seemed to hang on the outcome of a single battle.

Such a decisive action was fought at Augsburg, South Germany, in 955 A.D. Swarming out of Asia, savage Magyars overran the rich Danube Valley. They ravaged the prosperous lands of Germany, Italy and France. At last, under Otto, King of Saxony, the armored Knights of Christendom rallied. They faced a hundred thousand fierce foes. The battle raged all day. Thousands were slain. At last the tide turned and the Magyars fled. For three days the Knights pursued the scattered enemy, killing or captur-

ing thousands more. Symbolic of the west's predominance in weapons and armor of iron and steel, victory was credited to King Otto's iron-tipped Holy Lance.

Augsburg ended the Magyars' attempts to conquer Europe. They settled down to peaceful living in their valley and within 50 years accepted Christianity. Again, history demonstrated the truism that no people or alliance can establish supremacy unless it first predominates in the production and use of iron and steel.

It is reassuring that America produces twice as much steel as the rest of the world combined. America has the steel to win. We will use enough of it to protect our leadership of a free Christian world.



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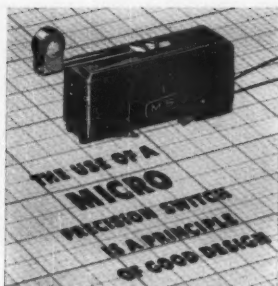
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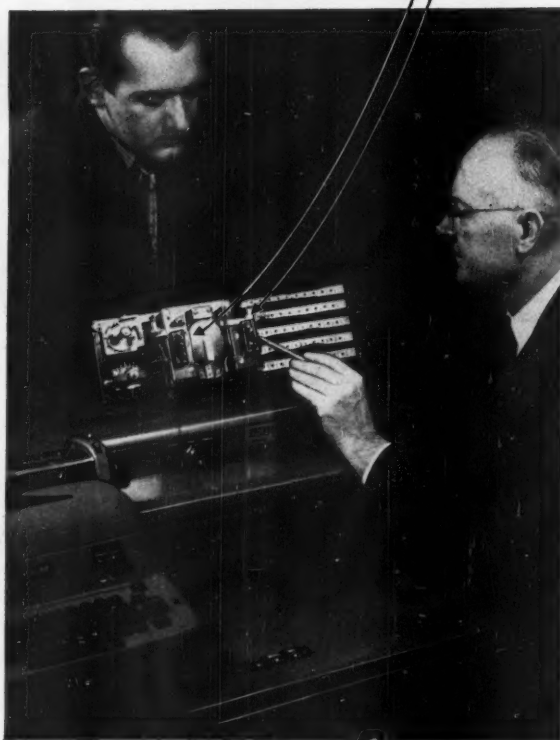
In designing the Push-Button Selector Auto-Typist ... the "almost human" office device which automatically types any selection from 100 or more form paragraphs, in any sequence ... the American Automatic Typewriter Company of Chicago required small snap-action precision switches to meet certain highly specialized requirements.

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Henry Kloyd, Auto-Typist development engineer, points to one of two MICRO precision switches in control assembly of Auto-Typist. E. J. Szymiski, production engineer, at the left.



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INTERNATIONAL OUTLOOK

BUSINESS WEEK

MAY 26, 1951



You can pay your money and take your choice as to what happens next in Iran.

Normal diplomatic approaches to the government there are impossible, for the time being. Iran's prime minister has locked himself up; Communists on the one side and extreme nationalists on the other are keeping the populace in a state bordering on anarchy.

Meanwhile, a good part of the Atlantic Alliance's oil hangs in the balance.

The British face three alternatives: Give in, intervene, sit tight.

They'll be sitting tight for a little while. Both parties have left a crack in the door for compromise. London still thinks there's a chance the Iranians will agree to talk. Though the hope seems slim, there are reports that the Iranians want to go a bit slower—and not confiscate the oil properties at once.

But the situation can't drag on much longer. The oil company is already withholding royalty advances, Teheran's main source of revenue. Soldiers and civil servants haven't been paid for months.

London won't hesitate to use force if need be.

British officials have told our State Dept. that they'll land troops in Iran if mob violence threatens the oil fields. They've promised to clear any such move in advance with Washington, though, which has been urging moderation.

The intervention issue is a serious bone of contention between London and the U. S. Britons feel we haven't been giving them the straight-from-the-shoulder support they need in Iran.

If Britain moves into the southern oil installations, Russia will have a green light to occupy parts of northern Iran.

That means either a partitioned country—or war. Some observers don't think the latter is inevitable right away. They say, "We've had partitioned countries before in the East-West struggle and gotten away with it."

Meantime, British public opinion seems to be in favor of using the "Big Stick." One top military man says, "I'd like to have seen troops in Iran already. Remember, we can't afford to lose that oil."

Some diplomatic circles are nursing new hopes for a Korean settlement. They think it will be the status quo of a year ago.

They feel that Moscow is dropping vague hints here and there about a possible cease-fire. They point to the publication in Pravda of Sen. Edwin L. Johnson's proposal for an armistice on June 25. That's new, they add, because the Kremlin rarely admits that Americans make peace proposals.

It was Johnson's move that prompted India's Sir Benegal Rau to demand a new statement of U. N. war aims in Korea. It's likely the U. S. will back up that proposal shortly.

Another point to remember: Round No. 1 of the Communist spring offensive has been stopped cold, and still Russia hasn't seen fit to bail out its Chinese allies.

Official Washington is cool to all the peace talk.

True, some authorities think the Kremlin would like to find a way out of the Korean debacle—but doesn't know how to go about it.

Military men now feel the U. N. army is in a strong military position.

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

MAY 26, 1951

So what we'll do is keep our powder dry and wait for concrete overtures from the enemy. That doesn't rule out the possibility of a U. S.-backed cease-fire bid from the United Nations, though.

But any Communist overtures that call for a return of Formosa to Red China or eventual U. N. membership for Peiping will be cold-shouldered.

Has the State Dept. backed onto the MacArthur bandwagon? That question has Washington aflutter this week.

It all stems from a speech by Asst. Secretary of State Dean Rusk. Many persons thought they detected in it a shift in U. S. policy to 100% political backing of Chiang Kai-shek and U. S. aid if the Chinese should revolt against the Communists.

There was a rumpus behind the scenes. President Truman was furious—the speech hadn't been cleared with the White House. The State Dept. hastily said this is what was meant: We'll build Formosa's defenses; we'll remain opposed to Peiping; but we won't get involved in a Chinese civil war.

London was particularly upset by the Rusk speech, felt it put a new strain on the Anglo-American alliance. Though the British attitude toward Peiping is stiffening, it doesn't mean any new love for Chiang.

The Red Chinese seem to have enough troubles without worrying about a U. S.-sponsored revolt.

The bloody purge throughout China during the past few months has finally reached Manchuria. Thousands of persons have been liquidated in cities like Mukden, Harbin, Port Arthur, Dairen.

It's possible that Peiping is worried about trouble from the battered Korean armies and is clearing the Manchurian garrison cities of unreliable elements.

A foreign ministers conference may be held late in July—probably in Washington.

That means that the Big Four deputies, wrangling in Paris for the past 12 weeks, have decided to leave the toughest agenda items for the foreign ministers themselves to hammer out.

The French are particularly anxious for the talks. They have elections coming soon—and they want the population to have that "safe feeling" that Frenchmen enjoy whenever enemies are sitting down at the green-topped conference table.

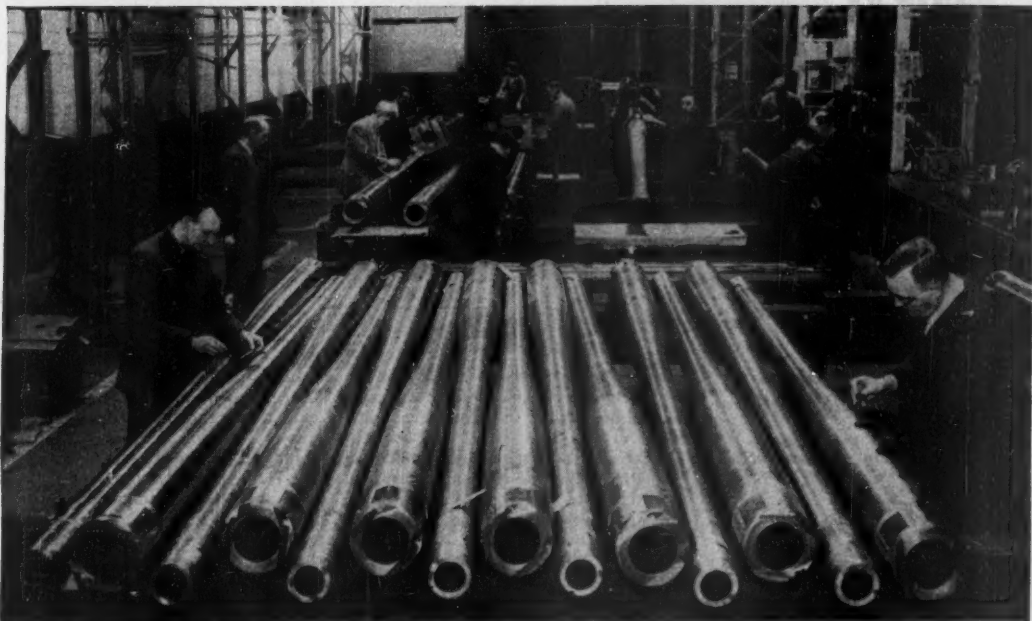
Staff officers at Gen. Eisenhower's headquarters are optimistic. They think the West will have a small but hard-hitting defense team of 25 divisions in shape by the end of the year.

They're pleased with progress so far on military levels and have just about finished plans for the defense of Germany. Delivery of jet planes to the French air force is proceeding smoothly, and at a growing rate.

Supply depots, repair shops, port facilities are being readied. A huge new airbase is coming along south of Paris. Together with new auxiliary fields, it ought to be able to house the Allied European air command by the end of the year.

In all, military men think the West will be strong enough by mid-1952 to make the Kremlin think hard before starting all-out war.

BUSINESS ABROAD



BRITISH GUN BARRELS (above), U.S. tanks, Danish precision instruments—roll them all together, and you have . . .

Production: The Toughest Job in NATO

It would take the best bureaucratic brains in Washington—or anywhere else for that matter—to dream up a tougher job than the one William R. Herod (cover) holds down. He's Western Europe's Charles Wilson: Gen. Eisenhower's businessman counterpart in the North Atlantic Treaty Organization.

- **Riding Herd**—His job is to ride herd on arms production in the 12 Pact nations. So far it has moved slowly. Right now the Pact nations are meeting in London to thrash out the question of U. S. aid. After that, if all goes well, Herod's job will begin to shape up.

In normal life, Herod's title is president of International General Electric Co. Currently his official title runs something like this: Chairman of the International Staff of the Defense Production Board of the North Atlantic Treaty Organization. He's entitled to be called "The Honorable," having the personal rank of Minister of the U. S. government.

The Defense Production Board, which Herod took over in March, is defined this way in the NATO roster (chart, page 158): "A full-time agency having as its general objective the achievement of the maximum produc-

tion of military equipment in the most efficient manner, at the least cost, in the shortest time, to meet the military requirements of NATO."

Translated into English, it means that Herod must wring all the arms production possible out of the Pact nations and gear that production to fill the gaps in Gen. Eisenhower's forces. The job involves a staggering jigsaw of problems and conflicting interests—raw materials shortages, national pride, inflation, political instability, weapons standardization, division of labor.

I. The Man

Herod is a strapping (6' 3"), tireless engineer. He has an inordinate fondness for vanilla ice cream and chocolate sauce. And Herod has been a globetrotter from way back.

The globetrotting began in 1929, when Herod became assistant to the president of International General Electric. Born in 1898, Herod got out of Yale's Sheffield Scientific School in 1918 with a raft of prizes in mechanical engineering, physics, and math. He went right to work for GE in Schenectady. Some top work handling the engineering

on turbine installations for an Argentine powerplant got him the job with the international company.

Since then, Herod has gone everywhere in the world for IGE—with the exceptions of Iran, Russia, Eastern Europe, and Northwestern Africa. He became vice-president in 1937, after a stint as assistant to the managing director of one of GE's British affiliates. In 1942 he entered the Army Air Force as a lieutenant colonel, got jumped to full colonel, and finally took over a section in the production division at Wright Field.

Out of the service in 1945, Herod was made president of IGE—and went right on traveling. Not only does he keep in touch with all the broad aspects of the business, but also he's on top of the most intimate details of IGE's operations here and abroad. Wherever he lands, he's into everything—IGE business, civic affairs, sports, and cultural doings.

II. The Job

Since Herod took over the NATO job in London, a survey of Western Europe's industrial capacity has been

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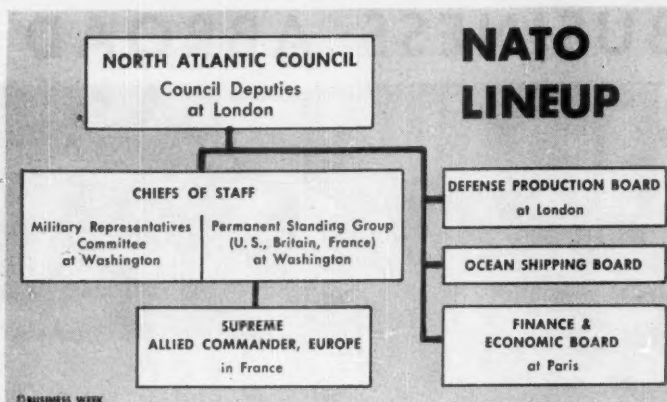
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made. So far, however, no division of production responsibility has been hammered out for the nations participating in NATO.

The ideal arrangement would go something like this: A Danish precision manufacturer would make instruments for French planes, which might be powered by British or Italian engines. Under the Mutual Defense Assistance Program, the U.S. is to send some needed arms—ships, tanks, planes. And it is to supply dollars to help grease the ways for intra-European business—financing British orders for French weapons, French orders for Belgian weapons, etc. That way NATO members will be able to earn dollars for themselves and at the same time supply their neighbors.

• **The Catch**—Most West Europeans don't like the idea of relying on foreign sources for their arms. Neither do U.S. military men, for that matter. About the only give-and-take on arms now among NATO members is between the U.S. and Canada—and they, strategically speaking, are one country (BW—Mar. 3'51, p.36).

The NATO countries are also balking at cooperation because there's no adequate payments scheme. The mutual aid program isn't so mutual when it comes to accepting the other fellow's currency.

• **Aid Money**—Within a few weeks, Congress will get the Administration's omnibus foreign aid bill, calling for around \$10.5-billion. About \$7-billion of this will go for military items, raw materials, and semifinished goods shipments; the balance will be economic aid. (In fiscal 1951, arms shipments totaled approximately \$1.5-billion. Fiscal 1952 is very likely to top the \$3-billion mark.)

A lot of the aid money will supply materials for arms production in European factories—rolled and angle steel, aluminum and copper ingots, other semifinished materials. Our allies will

turn these materials into spare parts for the equipment that the United States sends them, plus rifles, artillery, ammunition.

• **Judicial Executive**—The theory is that Herod, sitting on an international level at NATO headquarters, will be able to appraise the needs of each arms factory in Europe, then decide just what the U.S. can contribute in the way of funds or materials. Most important, Herod must see to it that the arms factories work together, complementing rather than duplicating each other. So far, they haven't been working together. Actually, if the member nations don't cooperate, there's little Herod can do about it.

The French are an example. French industrialists, morbidly afraid of a recession, are keeping the pressure on the government to make as many weapons as possible in France—though many U.S. experts claim that the United States can make some of them faster and better.

• **Ways and Means**—NATO has set up a Finance & Economic Board to tell NATO's top working brass, the Council of Deputies, how to raise funds in support of each nation's arms program. FEB may come up with some kind of World Bank operation, a fund, to keep armament rolling.

The key question to FEB is how the NATO members can boost defense and still avoid inflation. In France, particularly, prices are outstripping wages each day. And as living standards drop, the Communist Party rolls increase (BW—May 19'51, p.153).

Raw materials shortages are the stickiest problem (page 113). Growing shortages of sulfur sheet and special alloy steel, iron ore, scrap, nickel, tungsten, manganese are fouling up the show. Some ambitious stabs at solving the problem are afoot in Washington, but it will take a heap of doing before Herod and his colleagues can get their show on the road.

What's a Cartel?

R. Hoe & Co. faces anti-trust suit. The charge: dividing up world printing press markets with British competitors.

The Dept. of Justice has filed a civil antitrust suit against R. Hoe & Co., New York manufacturers of printing presses. The charge: divvying up world markets with British competitors.

American businessmen who own foreign subsidiaries—and who may be thinking of selling them—are lending an ear to the proceedings. They're already watching the Timken Roller Bearing Co. case (BW—Apr. 28 '51, p. 25). That's up before the Supreme Court on the issue of whether a company must compete with a foreign affiliate in which it owns a substantial, but not a controlling, interest.

When and if the Hoe case reaches the courts, it may shed further light on what's a cartel and what isn't. Here's the story:

• **Closed Area**—Justice says Hoe has an out-and-out cartel agreement with two British printing press manufacturers—R. W. Crabtree & Sons, Ltd., and R. Hoe & Co., Ltd., both of London. The arrangement states that Hoe of the U. S. can't sell or produce its products in the areas set aside for the British firms, while they in turn can't do business anywhere in the Western Hemisphere.

Normally, say Justice Dept. officials, such an agreement is illegal. The Supreme Court saw to that in 1947. But the Hoe case is a shade different; there is no firm precedent. The agreement was made back in 1938, as part of a deal whereby Hoe sold the assets and the goodwill of its British subsidiary (Hoe, Ltd.) to Crabtree. Now Justice wants to prove that just because the agreement was made as part of a sales contract, Hoe isn't protected from the antitrust laws.

Hoe's attorney, Neil P. Cullom, has struck back hard against the suit. Cullom points out that there is no cartel in any sense of the term—"no price fixing, no division of world markets, no prohibition against competition under any name except Hoe, and no exclusive licensing arrangement." And he cites the famous Addyston Pipe case, decided by the Supreme Court in 1898.

The Addyston decision states that an agreement not to compete in a given territory when made as part of a sale is an exception to the Sherman Act. In other words, when Company A sells a business and its goodwill to Company B, it has a right to ask the buyer not to compete in its own territory.

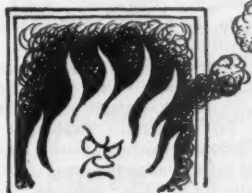
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BUSINESS WEEK

330 West 42nd St. N. Y. 18, N. Y.



VOLTA REDONDA. Brazil's giant steel mill, is expanding, supervised by McKee engineers.

Iron, steel, and oil plants in many lands bear stamp of consulting engineers in Cleveland. A \$15-million lubricant setup for Mexican petroleum monopoly is latest pie to feel their finger.

A few weeks ago, Arthur G. McKee Co., Cleveland engineers, logged another big foreign job onto its books. It was a fat contract for Mexico's first lubricant oil plant, to be built near Salamanca for Petroles Mexicanos, the government's oil monopoly. The estimated cost: \$15-million.

The Mexico job is old hat to McKee. Practically speaking, there are mighty few major oil or steel installations anywhere in the world that haven't felt the McKee touch somewhere along the line. From countries like India, to Soviet Russia and Brazil—over a period of 25 years—industrialists have come to McKee for consultation, construction, or the use of McKee-designed equipment.

● **Look to the South**—Lately, McKee has concentrated on Latin America. In 10 years, the completed value of plants bearing the McKee stamp totals more than \$200-million. Biggest jobs include Brazil's first integrated steel mill at Volta Redonda (picture, above) and a string of eight contracts with Petrolcos Mexicanos for pipelines, refineries, power houses.

Today McKee has \$111-million in projects going simultaneously in Latin America. Besides the Mexican oil plant, McKee engineers are adding a \$45-million extension on Volta Redonda to boost its yearly capacity from 420,000 ingot tons to 660,000 tons. And in Colombia, McKee men are sweating out that nation's first steel mill to cost ap-

proximately \$41-million (BW—Sept. 16 '50, p133).

A lot of U. S. business firms lick their chops whenever they hear that McKee engineers are junketing off to another foreign project. It often means new business for manufacturers of steel or oil industry equipment. For example, \$45-million of the \$100-million initially spent on Volta Redonda filtered back into the U. S.

• **Bright Young Man**—Arthur G. McKee, a graduate of Pennsylvania State College, founded his company back in 1915. He had already been tabbed as a bright young man in the steel industry as a result of his invention of a mechanical method for charging blast furnaces in 1904. It's still regarded as the best.

The McKee invention proved a door-opener to the steel industry—and McKee followed right along. Today McKee Co. is rated an authority on everything to do with iron and steel installations except coke ovens.

It wasn't until 1925 that McKee Co. broke into the new field of petroleum engineering. It did so by purchasing Cross & Widdell Engineering Co., of Kansas City, already well-established in the field. As part of the deal McKee got H. E. Widdell—and he's been president since 1946. (McKee himself is chairman of the Board.)

Today the company has about 750 persons on its payroll, 500 of them in the Cleveland office, nerve center for all

operations. The number of persons employed on McKee projects at any one time is conservatively estimated at 10,000.

• **Powerplants**—McKee confines its effort—except when times are slow—to the iron, steel, and oil industries. Those are the heavy spenders in expansion projects and new construction. However, McKee has done all right for itself off and on by designing and building powerplants.

It was the knowhow in iron and steel that first attracted foreign attention. And to handle its increasing business abroad (now about 20% of the total), McKee worked out a unique system of operation. It has these four basic services to sell:

- **Consultation.** McKee has a consulting staff of 25 specialists.
- **Engineering.** McKee does all the design, drawing up specifications.
- **Purchasing.** McKee buys equipment or helps the owner buy. This often means inspecting purchases, expediting their delivery.
- **Supervision of construction.** McKee engineers are on top of the job from start to finish.

McKee finds its consulting service provides the entering wedge for new business. A delegation of foreign businessmen—or a foreign government—approaches McKee with a project; it always requires careful study from raw materials availability to marketing. Though McKee men won't say, outsiders figure that less than half of the approaches made get past the contact stage. And of the projects that get the full study treatment, less than half are found to be feasible.

Sometimes McKee has to defend its projects against outside advice. The steel mill now abuilding in Colombia was declared "premature" and too expensive by a World Bank mission making a study of the country. But McKee is sticking to its guns, sure that a Colombian mill can be made to pay.

• **Subcontracts**—McKee generally deals only with a company in a foreign country that has been formed to construct a specific project. That company makes the deals for subcontracting. It, rather than McKee, is responsible for construction labor on the project. One thing McKee has learned: It must always take into account the productivity of local labor. Over the years, McKee has found that the unit of work produced is about on a par with wages paid. Abroad, that's often low. But the slow tempo of workmen can be compensated by using lots of them—and in most countries plenty are available.

Another source of annoyance and trouble is the lack of skill in some of the basic crafts—pipefitting, bricklaying, electrical work. So McKee finds itself

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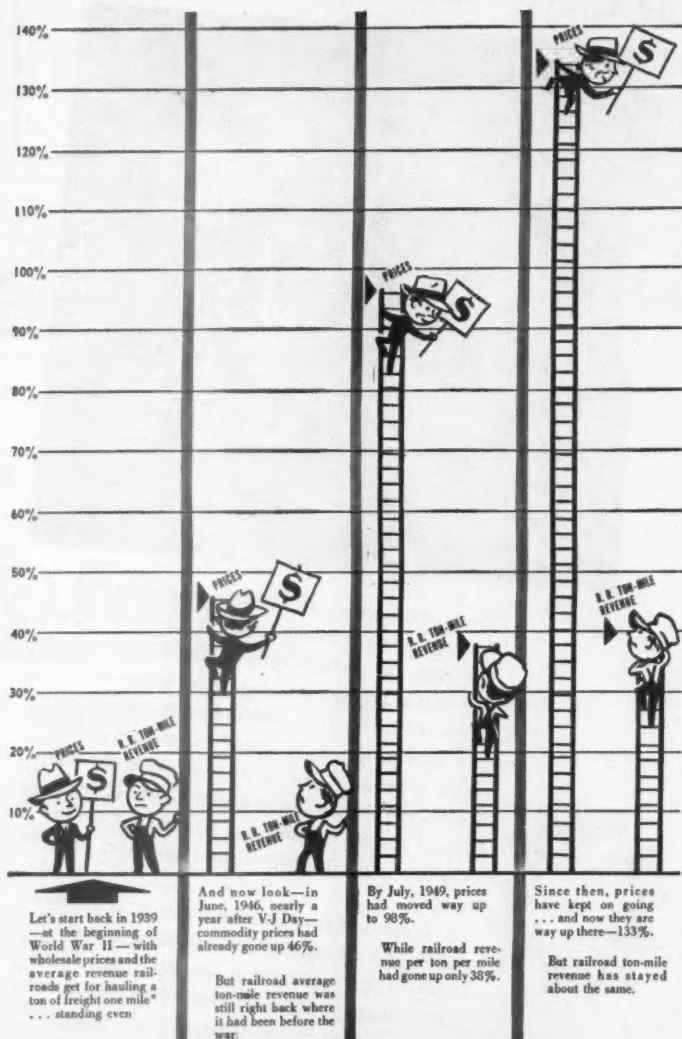
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running an on-the-job training course as often as not.

• **Central Control**—McKee's operating procedure on foreign jobs differs from many of its competitors. McKee may have as many as 20 top-notch specialists on the spot—but final control is tightly held in Cleveland. Construction details are checked each week with home office, and Cleveland bigwigs are forever arriving on the scene in person.

The big problems are always solved between the top management in Cleveland and the foreign entrepreneurs. McKee finds itself constantly selling—and unselling—ideas. Invariably, the local sponsors insist on incorporating pet, often pipedream, schemes into the design. McKee listens patiently, then unsells them on the ideas.

Once the project has the McKee O.K., it runs smack into another set of problems. Nowadays, the big one is raw material and equipment buying; and McKee shepherds Latin American buyers around the U. S. trying to find the goods needed to get the project on the rails. Once the goods are secured, McKee men find they turn into transport engineers. Getting the U. S.-bought equipment to the construction site across Latin America's rickety and ramshackle transport facilities is always tough.

BUSINESS ABROAD BRIEFS

Nineteen-to-one shot: Lloyds of London says those are the odds against a war big enough to interfere with a Seattle dental convention planned for June. For a \$535 premium, Lloyds has insured the dentists' gathering for \$10,000. Just five months ago, Lloyds quoted 50 to 1 against world war before September.

Mexican business: XHTV, Mexico's City's pioneer television station, is putting up a transmitter on the side of 17,000-ft. Mt. Popocatepetl, to reach cities several hundred miles away.... The government is ready to finance anybody who wants to go into the supermarket business. Mexico has only 20 supermarkets now; officials think a few more might help keep food prices down.... Orders have been placed in the U. S. for 1,600 freight cars and 32 diesel locomotives for the Mexican National Railways. Money will come from last year's \$60-million Export-Import Bank loan.

Pig and scrap iron shortages have forced a closedown of three large steel mills in Wales. More than 1,200 workers are affected.

Wool fortunes: Thanks to the war boom, nearly 500 Australian wool grow-

ers are expected to have gross pretax incomes averaging \$219,000 each—with many breaking into the millionaire class. It's a spectacular jump: According to the last reports from Australia's tax commissioner, only four persons in the entire country had gross incomes over \$112,000.

Reynolds Metals Co. has bought up 40,000 acres of bauxite-bearing land in Jamaica, B.W.I. Company officials think it's the world's largest undeveloped aluminum source. They'll mine the tract with the help of a \$14-million ECA loan.

A drug factory in Buenos Aires will be built by Armour & Co., to produce insulin, trypsin, and ACTH. Armour figures that Argentina can use only 20% of the plant's potential output, leaving the rest for export.

Jet airliners—De Havilland Comets—will go into service next winter on British Overseas Airways' London-Rome-Cairo route. BOAC has 14 of the 490-mph. planes on order, may use some of them on the New York-Bermuda-Nassau triangle.

Free Russia Fund, Inc. is a new organi-

zation set up by the Ford Foundation, with a \$200,000 initial budget. Under the presidency of George Kennan, former counselor of the State Dept., the fund will help out Soviet exiles here and, through research, make use of their general and scientific knowledge.

Close to 800 leading businessmen—from 50 countries—will rally next month in Lisbon, Portugal, at the 13th Congress of the International Chamber of Commerce. The ICC delegates will hammer out policies and programs on the theme: "Economic Development in a Period of Rearmament."

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The Cost-Price Ratchet and The WSB

The new Wage Stabilization Board has gone to work. George H. Taylor and his 17 fellow boardsmen have a tough job, if there ever was one. It's nothing less than to sit on wage increases, something that America's organized wage earners just don't believe in.

One bristling question on the board's agenda points up the kind of trouble it is in: Should the cost-of-living escalator clauses in wage contracts be given an O.K.? Chances are they will (BW—May 12, '51 p30).

Organized labor argues plausibly it is entitled to keep even in the rat race between wages and prices. It points to the farmers who have that kind of insurance in their parity formula.

To top off their case, labor leaders say the escalator clauses will cause no trouble in the inflation fight if the price controllers hold the cost of living steady. The same bit of logic, such as it is, can be used to make the parity formula look innocent. This amounts to saying these groups will go along with the inflation fight if someone else carries the ball. That someone else apparently is Mike DiSalle, the price controller.

But what chance does DiSalle have to hold the price line in the face of this escalator clause-parity formula machinery? Consider wage controls.

In throwing a legal block across the wage-price spiral, wage controls help fight inflation by (1) holding down increases in costs of production that boost the supply-price of goods, and (2) holding down the growth of spendable income that builds up pressure under prices.

Forced Retreat

That Mike DiSalle is in business at all is due to the simple fact that there is less stuff around than consumers want to buy. Civilian supply will be below the level that will maintain the going standard of living over the next year or two as we push defense output. That fact will be reflected in higher prices. If escalator clauses and parity formulas move with their familiar ratchet effect to get selling prices up in line with buying prices, costs of production go up, and so do consumer incomes. Both tend to jack up prices and force DiSalle into new retreats. That sets in motion another ratchet reaction.

To reconcile these contradictions in its stabilization policy Washington is now in a tizzy of activity. To deal with the cost-boosting part of the escalator-parity business, the offset will apparently be sought through (1) profit control, and (2) the opiate of consumers' subsidies.

To keep the additional income generated by these mechanisms from blowing the lid off DiSalle's price controls there is talk of new ways to induce savings. The other day in Hot Springs, Va., stabilization director Eric Johnston hinted at a new savings incentive. Secretary of

the Treasury Snyder said later he knew nothing about it. If the Administration has anything like this under wraps, it is time to trot it out.

Despite the best efforts of the Rube Goldberg school of economics, the rock-bottom issue remains this: The powerful organized groups in America must recognize that our standard of living has to be cut until we get over the mobilization hump. All the gadgets in the world can't do away with that stubborn and irreducible fact. All they can do is permit the organized to exploit the unorganized and in the process speed up the inflation.

Plain Talk

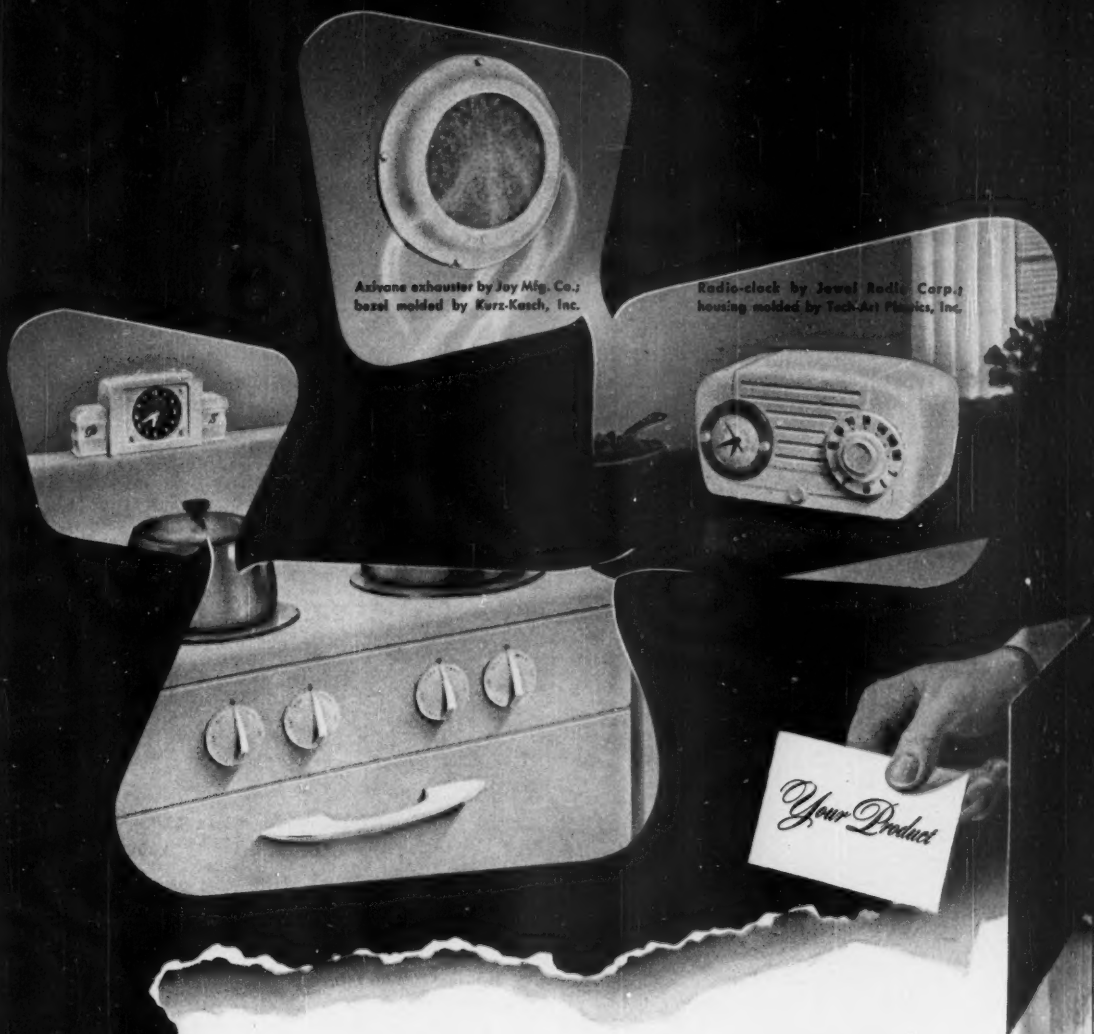
Chairman Irving S. Olds of the dignified U. S. Steel Corp. is the newest recruit in the long fight to persuade businessmen that the most effective way to talk to the public is in plain American. He recently told the New York State Chamber of Commerce about accelerated depreciation and certificates of necessity in words that stayed well under the two-syllable ceiling. His speech was clear, it was brisk, it was persuasive in lay terms.

Businessmen have come a long way since a testy Vanderbilt could say to a 19th Century reporter, "The public be damned." These days it is not the public's perdition that is sought, but its sympathy and understanding. Government courts the citizens, pressure groups court them. Businessmen who once thought they only needed the public's trade are now finding that they need its support, too.

The question is how to get it. The problem is one of communication. It is not enough to say a thing—the air is full of things said by contending groups, and many of them create little but confusion. The point must be made in terms that catch at the mind and hold it. Businessmen who are alive to the changing current of American talk, who bother to look into studies on the force and effect of words do best in driving their ideas home.

There has been much progress in picking the thing to say and in brightening the way of saying it. Corporation annual reports have simplified both their language and their accounting so that the stockholder can at least think he understands. More and more advertising makes clear the scope and sweep of individual companies.

If business is to keep public confidence it must find language to make its point in a fashion at least as effective as the harangue of its opponents. What Arthur Krock of the New York Times calls "the superior articulation of the left" has gone too long unchallenged. It is not enough these days to know that one has a great story. The public must know it, too, and people can only know what they will listen to.



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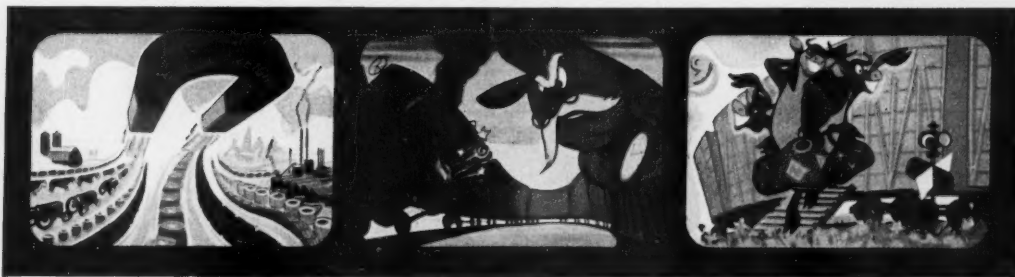


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